

Governance Committee

Thursday, 28 June 2012

Present: Councillor Paul Leadbetter (Chair) and Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt

Also in attendance

Officer: Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Lee Hurst (Systems Development & Exchequer Services Accountant), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Shared Assurance Services Internal Audit Manager), Jan Minchinton (Principal Auditor (Chorley)), David Wilkinson (Performance Officer), Tony Hough (Audit Manager, Audit Commission) and Dianne Scambler (Democratic and Member Services Officer)

07.CCS.01 APOLOGIES

There were no apologies for absence.

07.CCS.02 DECLARATIONS OF ANY INTERESTS

No declarations of interests were received.

07.CCS.03 MINUTES - AUDIT COMMITTEE

RESOLVED – That subject to the following amendment:

12.AU.53 STRATEGIC RISK UPDATE REPORT

RESOLVED - That a list of ICT projects and risks associated be provided to a future meeting of the Committee.

the minutes of the Audit Committee meeting held on 15 March 2012 be held as a correct record for signing by the Chair.

Councillor Alison Hansford left meeting.

07.CCS.04 STATEMENT OF ACCOUNTS 2011/12

Members received a report of the Chief Executive giving them sight of the Statement of Accounts (SOA) for 2011/12 that would be signed and authorised for issue by the Chief Financial Officer at the end of June. The report also gave advice on the processes leading up to their formal submission for the approval of Members following completion of the external inspection by the Audit Commission in September 2012.

This Committee was not required to approve the SOA by 30 June before inspection of the external auditors, but would give them final approval prior to 30 September as they have done previously.

The Movement in Reserves Statement showed a surplus of £1.2m for the year compared to a breakeven position assumed in the original budget approved for 2011/12, reasons for the surplus were contained within the report.

The balance sheet and cash flow statements showed the turnover of cash and final cash position as at 31 March 2012. The Council's Treasury Management Strategy was the key document for the effective day to day management of cash resources and set out policies for the investment of surplus cash.

During the year the external borrowings had reduced from £8.872 to £7.822m and no new borrowings were made. The Council's general balance at year end was £2.264m which was in line with the Authority's Medium Term Financial Strategy that specifies they should be no lower than £2.0m. The Chief Executive explained that this amount was a judgement based upon a set of assumptions and took into account the Council's previous good reputation for making efficiencies and savings.

One of the areas of difference between accounting requirements and council tax regulations concerned pensions. The difference resulting from this was held in the Pensions Reserve. During 2011/12 this deficit on reserves had grown by £6.7m. The accumulated pension fund deficit now stood at £34.0m and Members were advised that the statutory position was that this deficit would be made good through future changes in contributions.

Following recent changes, the SOA now included heritage assets that were held primarily for their contribution to culture and knowledge. The authority had three assets that fitted into this classification, Astley Hall, the Council's Civic Regalia, and the furniture and art contents of Astley Hall.

There had been a significant reduction in debtors from £6.5m to £4.0m and Members were provided with a detailed analysis. The Collection Fund also showed a healthy surplus that was consistent with estimates and had been allowed for in the fixing of the 2012/13 Council Tax.

Members asked if comparative information could be provided at future meetings so that they could measure the authorities' performance and success against other district councils.

The Committee was informed that notice had been received from the external auditor that the 13 August 2012 had been appointed as the date on or after which local government electors may exercise their rights to question the auditor about the accounts. A period of inspection would run for 20 working days before that date and the Council would give 14 days notice of the commencement of this period.

RESOLVED

- 1. That the Report be noted.**
- 2. That in the future comparative information from other district councils be included within the report.**

07.CCS.05 TREASURY MANAGEMENT OUT-TURN 2011/12

The Committee received and considered the report of the Chief Executive updating Members on the Council's treasury management strategy. Part of the changes in the regulatory environment, concerning treasury management was a greater onus on Members to scrutinise policy and activity.

The report updated on the prudential and treasury Indicators. The Capital Financing Requirement was significantly below that estimated in the Strategy as a voluntary provision for debt repayment had been made as part of the budget strategy. Borrowing had also remained within the limits set.

Members noted the positive treasury position and that the return on investments had gained interest of 1.07% compared to a bench mark of 0.43%.

In relation to Icelandic banks, court proceedings had been successfully concluded during the year with the confirmation of the priority status of the Council's debt and a first repayment of £596k had been received in February. A further payment of £248k had since been received and it was now expected that 100% of the claimed amount would be received.

RESOLVED – That the report be noted.

07.CCS.06 ANNUAL GOVERNANCE STATEMENT

The Head of Shared Assurance presented a report to remind the Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.

Members considered the draft annual government statement which had been produced in accordance with guidelines issued by the Chartered Institute of Public and Accountancy (CIPFA) and the Society of Local Authority Chief Executive (SOLACE).

It was explained what arrangements the Council would take in the forthcoming financial year to build and strengthen our corporate governance arrangements.

Particular attention was made to the undertaking of a members' skills analysis to update the member development programme to cater for the needs of new members to the Council and those Councillors taking on new roles.

Members requested that they be involved in the reviewing and re-issuing of a Protocol on Member/Officer relations.

RESOLVED – That the Annual Governance Statement be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2011/12 financial statements.

07.CCS.07 GOVERNANCE COMMITTEE UPDATE 2011/12

The Committee received a report of the Audit Commission providing the Committee with a progress report in delivering their responsibilities as our external auditors.

The external audit team continued to work closely with the Council's finance team around technical issues, closedown timetable and audit requirements to minimise the likelihood of any unexpected significant accounting issues and the Members were informed that the audit of the Council's financial statements would commence in July and the criteria against which the assessment of our Value for Money (VFM) arrangements would be made.

In April 2012 the Audit Commission had published its work programme and scale of fees for 2012/13. The fees set, represented a 40% reduction on previous years and had been set for the next five years. The reductions in fee had resulted from the significant reductions in the Audit Commission's costs following internal efficiencies and the savings achieved from the outsourcing of its in-house audit practices.

Members asked what procedures were in place to ensure that external groups/projects delivered the work they had promised, when they were funded by the Council and assurances were given that the allocation of the Core Grants had moved to a commissioning model, whereby a funding agreement would be in place that set out targets and was closely monitored by the relevant Executive Member.

RESOLVED – That the report be noted.

07.CCS.08 DATA QUALITY POLICY 2012/13

The Committee received a report of the Chief Executive that presented the Council's refreshed Data Quality Policy, recently approved by the Executive Member for Resources, Policy and Performance for information.

The Policy had been reviewed to ensure that it aligned to the council's new data quality strategy and reflected the organisations increasing reliance on data from IT systems. The report summarised the key changes from the previous policy and outlined the new arrangements that would be put in place to ensure greater control.

RESOLVED – That the report be noted.

07.CCS.09 INTERNAL AUDIT ANNUAL REPORT

The Head of Shared Assurance Services presented the internal audit annual report 2011/12 which summarised the work undertaken by the service during the 2011/12 financial year and gave an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and individual service areas.

A detailed schedule of the work undertaken by the Internal Audit team had been provided and gave individual opinions on the adequacy control for each of the areas audited during the year, as the majority of the reviews received a substantial or adequate controls assurance rating, it was the Internal Audit's opinion that the Council continues to operate in a strong control environment.

Only four out of fourteen reviews had been given a 'limited' rating, two had since been fully implemented and actions had been put into place to resolve the remaining two.

Key performance data indicated that the majority of indicators were on or above target and the team were pleased to report that the average customer satisfaction for Chorley and Shared Services was 91%. Only four areas had varied significantly from the agreed targets and an explanation was provided for Members.

Members discussed whether, by reducing the scheduled work within the plan the team would have a more realistic chance of achieving the delivery of the full plan which was their target of 100%, when for the past two years they had only achieved 92%. It was explained that this was difficult to achieve as there were sometimes external factors outside of their control that they were not aware of at the time of drawing up the plan, that prevented the team from delivering a certain piece of work.

Members also requested if they could explore some joint arrangements with their counterparts at South Ribble Council, particularly in relation to the sharing of information and best practice.

Four members of the Audit Team had been successful in obtaining further qualifications and the team were also pleased to report that they had identified an unpaid debt of £20,000 whilst completing a recent audit review at Astley Hall and now had a formal agreement for an external contract of their services for St Catherine's Hospice that had resulted in additional income to the Council.

RESOLVED – That the report be noted.

07.CCS.10 COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

The Head of Shared Assurance Services presented a report comprising information to enable 'those charged with governance' and 'management/section 151 officer' to provide assurances being sought by the Audit Commission in respect of fraud and corruption as part of the Council's 2011/12 accounts.

In March 2012, the Audit Commission had written to the Chief Executive and Chairman of the then Audit Committee requesting information to assist with their audit of the Council's 2011/12 financial statements. Given the assurances requested were similar to the evidence being collated by Internal Audit to support the Governance Statement and in the interest of transparency, it was agreed with the Audit Commission that responses to their letters would be provided following consideration at this meeting.

Members noted that Internal Audit, having reviewed specific information were satisfied that the Council's arrangements were such that positive assurances could be given in the response to the Audit Commission.

RESOLVED – That the Chair of Governance Committee and Section 151 statutory chief finance officer sign the assurance letters.

07.CCS.11 THE STANDARDS REGIME AFTER 1 JULY 2012

Members received a report of the Head of Governance and Monitoring Officer for Chorley Council advising Members of the proposed Code of Conduct and complaints procedure to be adopted by the Council from 1 July 2012.

The report had been submitted for Members information as it had been considered at Executive Cabinet on 21 June with a view to being approved at Council.

Members clarified that the membership of any Hearing Sub Committee's would be drawn from Members of the Governance Committee and that the Council were looking to appoint three Independent Members to provide advice and support in this process.

Members also noted that the terms of reference for the Governance Committee would change after Council on 17 July 2012.

RESOLVED – That the report be noted.

07.CCS.12 GUIDANCE TO COUNCILLORS SERVING ON OUTSIDE BODIES

The Head of Governance presented a report to Members that sought approval of a guidance document for councillors serving on outside bodies.

The guidance document provided a generic approach to be followed by Members and would be used as a steer on what considerations a Chorley Councillor sitting on an outside body should have when discharging that function.

RESOLVED – That the Guidance to Councillor: Serving on Outside Bodies be approved.

07.CCS.13 CHANGE OF START TIME FOR GOVERNANCE COMMITTEE

Members of the Committee **RESOLVED (4:2) to change the start time of the Governance Committee meetings for the rest of 2012/13 municipal year to 2.30pm.**

Chair