

# Governance Committee

**Thursday, 27 September 2012**

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

## **Also in attendance**

**External Representatives:** Fiona Blatcher (Audit Commission) and Tony Hough (Audit Commission)

**Officers:** Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Gordon Whitehead (Principal Financial Accountant), Clare Ware (Shared Assurance Services Internal Audit Manager), Dawn Highton (Principal Auditor), Linsey Roberts (Internal auditor) and Dianne Scambler (Democratic and Member Services Officer)

## **07.CCS.14 APOLOGIES FOR ABSENCE**

An apology for absence was received from Mr Peter Ripley – Independent Person

## **07.CCS.15 THANK YOU**

The Chair advised the Committee that Tony Hough (Audit Commission) was retiring and was attending his last Committee meeting.

The Chair and the Committee thanked Mr Hough for all his work and support to the Council over the years and extended best wishes for the future.

## **07.CCS.16 DECLARATIONS OF ANY INTERESTS**

No declarations of any interests were received.

## **07.CCS.17 MINUTES**

**RESOLVED - That subject to the inclusion of Councillor Alison Hansford being in attendance, the Governance Committee meeting held on 28 June 2012 be confirmed as a correct record for signing by the Chair.**

## **07.CCS.18 UPDATE OF THE IMPLEMENTATION OF THE NEW STANDARDS REGIME**

The Committee received a report updating them on the progress of implementation of the new standards regime.

The new Code of Conduct had been adopted by the Council It was compliant with legislative requirements and a procedure had also been approved for dealing with complaints to provide certainty of the approach.

Guidance had been issued for Councillors on how to approach disclosure and this had been circulated to Members through intheknow. However, no guidance had as yet been issued in relation to the collation of disclosable pecuniary interests.

It was thought that this delay may in part be due to informal challenges to the legislation, particularly in relation to the pecuniary interests requirements. The legislation as drafted was unclear and given that this element had criminal sanction imposed it was important for the legislation to be clarified and it was understood that the DCLG were presently taking legal advice.

Although the legal position was unclear, it was felt important to provide the opportunity for Members to consider their position under the new rules and it was proposed to invite all Councillors to complete the disclosure voluntarily online to promote transparency of decision making.

Members asked if any of the Parish Councils had adopted the Council's Code of Conduct and were informed by the Monitoring Officer that he had been informed of three that had.

## **07.CCS.19 INTERNAL AUDIT INTERIM REPORT AS AT 31 JULY 2012**

It was reported to the Committee that one of the Principal Auditors, Jan Minchinton had retired from the Council. Jan had contributed greatly to the work of the Governance Committee and previous Audit Committee.

Dawn Highton, Principal Auditor and Linsey Roberts, Internal Auditor were introduced to the Committee and would be attending future meetings to present the reports.

The Committee received a report of the Head of Shared Assurance Services advising Members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services during the first four months of 2012/13 and to comment on its outcomes.

Members were provided with a snapshot of the overall progress made in relation to the 2012/13 Internal Audit Plans, that indicated which audits had been completed and their control rating, those that were in progress and those that had yet to start. Information was also given on the time planned and actually spent on individual audits.

Members noted that all the Internal Audit Plans were on target to be achieved and of the eight reviews that had been completed to date; seven had been given a substantial or adequate assurance rating.

The Chair asked for an explanation as to why the target for the percentage of planned time used had been considerably exceeded but was not reflective in the percentage of plans being completed. It was explained that the target for percentage of plans completed did not take into consideration those reviews that were partially complete. This was one of the reasons why the current key performance indicators were not fit for purpose and Members agreed that it would be more prudent to see what the current status was of each review currently being undertaken.

Only one review on Health and Safety – Lone Working, had been given a limited assurance rating and management actions had been agreed with senior management with progress to be monitored by Internal Audit.

Members queried if the lone working arrangements available for staff included Councillors and although the as the Monitoring Officer explained, there was no legal requirement to do so, the Chief Executive agreed to look into extending the transferable elements of the policy to all Elected Members of the Council.

At the last meeting of the Committee, the purposefulness of the current Key Performance Indicators (KPIs) had been discussed and officers had agreed to

undertake a bench marking exercise to identify the performance indicators that were collected and reported by other authorities.

This work was still progressing and had prompted a more fundamental question as to whether the current performance indicators were fit for purpose. It was clearly important that the measures adopted added real value without being administratively burdensome to collect and calculate. Furthermore, CIPFA and the Institute of Internal Auditors (IIA) were undertaking a joint review of Internal Audit Standards.

It was therefore recommended that a baseline review of Internal Audit KPIs be undertaken and proposals be reported to the Governance Committee at its meeting in January to enable any changes to take effect from 2013/14. The existing measures and target would remain in place for this financial year.

Other information that the Committee received related to:

- Examination success within the team
- An initial approach to procure some additional days from Lancashire Audit Services
- A letter of thanks from the Chief Executive of St Catherine's Hospice on two successful reviews at St Catherine's Hospice

#### **RESOLVED**

- 1. That the information in the report be noted.**
- 2. That a review of Internal Audit Key Performance Indicators be undertaken and proposals brought back to the Committee for approval.**
- 3. That Internal Audit explores the possibility of extending the transferable elements of the Lone Working policy to all Elected Members of the Council.**

### **07.CCS.20 NATIONAL FRAUD INITIATIVE MEMBERS BRIEFING 2012**

The Head of Shared Assurance Services submitted a report reminding the Committee of the work undertaken by the Council in respect of the Audit Commission's National Fraud Initiative (NFI).

The NFI exercise had been carried out every two years since 1996. In 2007 the Audit Commission had introduced the Single Persons Discount NFI exercise, where Council Tax data is matched against the Electoral Register. Nationally, a total of £939 million of fraud, overpayments and error had been identified so far. The main categories of fraud continued to relate to pensions, council tax and housing benefit.

For this authority, the Senior Responsible Officer for the NFI is the Chief Executive, assisted by the Internal Audit who co-ordinates the Council's input. The investigations will be undertaken by Internal Audit and the Revenue and Benefits Service, along with additional support from services across the Council. The outcomes of the exercise in 2010/11 included benefit fraud investigations that identified £24.5k of overpayments.

The Audit Commission is keen to ensure that Elected Members should be effectively engaged in the NFI exercise. A Member briefing was delivered in May 2012 that provided an overview of the National Report and a checklist was developed to help members understand and assess the Council approach.

Councillor June Molyneaux left the meeting at 3.12pm

Members discussed what the cost of the exercise would be to the Council and although this was something that was difficult to quantify, it was generally accepted that the deterrent aspect was priceless.

**RESOLVED – That the report be noted.**

## **07.CCS.21 STATEMENT OF ACCOUNTS 2011/12**

The Chief Executive advised the Committee that Gordon Whitehead (Principal Financial Accountant) was retiring and was attending his last Committee meeting.

The Chief Executive thanked Mr Whitehead for all his efforts over a number of years, adding that he had a specific skill in relation to the technical aspects of accountancy work and was a great person to work with.

The Chair and the Committee also thanked Mr Whitehead for his contribution and support to the Committee and extended best wishes for the future.

The Chief Executive presented a report seeking approval of the Audited Statement of Accounts for 2011/12, following the Audit Committee's initial endorsement of the Accounts at its meeting on 28 June 2012.

No material errors or significant weaknesses of internal control had been identified and a positive report had been received on the quality of the accounts and its supported workings. It was highlighted that it was a positive report with regard to the work done on producing the Statement of Accounts and Value for Money conclusion for the Council.

The Committee also received the Audit Commission's Annual Governance Report which summarised the Commission's substantially complete audit of the Council's 2011/12 Statement of Accounts and the authority's value for money arrangements.

The Audit Commission reported that the Council's accounts had been prepared to a good standard and were supported by good quality papers with officers responding helpfully to their audit queries in a timely way.

The key messages were that the Auditor intended to issue an unqualified opinion on the Statements and an unqualified Value for Money conclusion.

The Council had again achieved significant efficiency savings whilst delivering well against its performance targets. Good progress had also been made in securing the required levels of savings for 2012/13 and identifying actions needed to deliver additional savings in 2013/14.

It was acknowledged that the Council faced considerable uncertainty over the next few years from the impact of economic conditions on the demand for the services that it provides, central driven around welfare reform and NNDR changes.

The key challenge for the Council would be to ensure the continued identification and delivery of significant financial savings whilst also meeting local service needs, although it was considered that its response to the current financial climate, together with its track record, indicated that the authority was well placed to meet this challenge.

Following consideration and approval by this Committee, the Statement would be signed off by the Chair, be re-certified by the Chief Financial Officer and be published by 30 September 2012.

Members asked a number of questions in relation to the Statement of Accounts that resulted in additional information being provided by officers at the meeting that included:

- An increase in the authority's pension liability had resulted in a reduction of the total reserves from the year previous.

- The reduction in the salary for the Head of Human Resources and Organisational Development had been due to maternity arrangements.
- The initial investment rate of 5.81% for Landsbanki would stay the same.
- The valuation of Astley Hall and its assets.

Members were directed to the Capital Outturn report for further information relating to the Capital Spend and Financing Summary.

Councillor Berry requested further information on the amortisation periods of the Council's significant intangible assets.

The Committee also requested additional information in relation to the costs of the Councils major contracts, for example the authorities refuse collection, to be included within the Statement at future meetings.

#### **RESOLVED**

- 1. That the Governance Report be noted.**
- 2. That the audited Statement of Accounts for 2011/12 be approved.**
- 3. That the Letter of representation approved for signature by the Chair of Governance Committee and the Chief Executive.**

### **07.CCS.22 TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2012/13 - 2014/15**

The Statutory Finance Officer submitted a report that reviewed the Treasury and Investment Strategies approved by the Council on 28 February 2012, reported on performance in the first half of the year and compliance with prudential indicators.

The only change proposed to the existing Treasury strategy was that the limit on investments with the two part nationalised banking groups should be increased to £5m from the current £3m. This could generate an additional return of up to £80k at current rates with some risk.

The report included investment activity to 22 August 2012 and advised that the average daily amount invested totalled £17.58m on which it received a return of 1.48%. This exceeded the benchmark. It also reported that because this level of investment exceeded that budgeted for, investment income is predicted to be £0.1m greater than estimated and confirmed compliance with the prudential indicators specified in the Treasury Strategy.

Members noted that presently the maximum permitted investment was either £2m or £3 m, the higher limit only applying to deposits that had immediate access (call accounts and money market funds) or deposits with Government backed institutions (the part nationalised banks and Debt Management Office). This had meant that the Council regularly had to use the DMO, depositing £3.7m and generating less than £4k in interest.

The Code of Practice for Treasury Management specified that Councils should review their treasury strategy and activity half yearly and this report confirmed compliance with that strategy.

**RESOLVED – That the Committee noted the report and supported the recommendation to Council to increase the limit on investments from £3m to £5m with part nationalised banking groups.**

### **07.CCS.23 SELF ASSESSMENT**

Members were informed that a self-assessment questionnaire would be emailed out shortly to all of Governance Committee to identify any training needs or areas where there was a need to provide further information.

The forms need to be completed by the end of October, Internal Audit would then collate the responses and feedback the results to the Chair.

Chair