

REPORT OF GOVERNANCE COMMITTEE

GENERAL REPORT

1. This report summarise briefly the items that were considered by the Governance Committee at its meeting on 27 September 2012.

Update of the new Standards Regime

2. We received an update report on the progress of implementation of the new Standards regime. A new Code of Conduct had recently been adopted by the Council that was compliant with legislative requirements and a procedure had been approved for dealing with complaints that provided certainty of the approach.
3. Guidance had been issued for Councillors on how to approach disclosure and had been circulated through intheknow. However, no guidance had 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 interest's requirements. The legislation, as drafted was unclear and given that this element had a criminal sanction imposed it was important for the legislation to be clarified and it was understood that the Department of Communities and Local Government DCLG were presently taking legal advice.
4. Although the legal position remain unclear, we felt it was important to provide Members with the opportunity to consider their position under the new rules and it was proposed to invite all Councillors to complete the disclosure voluntarily online to promote the transparency of our decision making.

Internal Audit Interim Report as at 31 July 2012

5. The Committee received a report of the Head of 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.
6. We were provided with a snapshot of the overall progress made in relation to the Plans indicating 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. 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.

7. I asked for an explanation as to why the target for the percentage of planned time used had been considerably exceeded but was not reflective of the percentage of plans being completed. It was explained that the target for percentage of plans completed did not take into consideration those plans that were partially complete. This was one of the reasons why the current key performance indicators were not fit for purpose and we agreed that it would be more prudent to see what the current status was of each review that was currently being undertaken.
8. 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.
9. Members queried if the lone working arrangements available for staff included Councillors and although, as the Monitoring Officer explained, there was no legal requirement to do so, the Chief Executive agreed to look into extending the transferrable elements of the policy to all Elected Members of the Council.
10. At the last meeting of the Committee, the purposefulness of the current Key Performance Indicators (KPI's) 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.
11. The Committee were informed that 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 measure 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 so we recommended that a baseline review of the Internal Audit KPI's be undertaken. We asked that any proposals be reported back to the Committee at its next meeting in January, to enable any changes to take effect in the 2013/14 municipal year.

National Fraud Initiative Members Briefing 2012

12. We received a report of the Head of Shared Assurance Services reminding us of the work undertaken by the Council in respect of the Audit Commission's National Fraud Initiative (NFI).
13. 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 and the main categories of fraud continued to relate to pensions, council tax and housing benefit.

14. We were informed that for this authority, the Senior Responsible Officer for the NFI is the Chief Executive, assisted by the 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 Committee discussed what the cost of the exercise would be to the Council and although this was something that was difficult to quantify, we generally accepted that the deterrent aspect was priceless.
15. The Audit Commission were keen to ensure that Elected Members were effectively engaged in the NFI exercise. A member briefing had been delivered in May that had provided an overview of the National report and a checklist had been developed to help members understand and assess the Council's approach.

Statement of Accounts 2011/12

16. The Chief Executive presented a report that sought approval of the Audited Statement of Accounts (SAO) for 2011/12, following the Committee's initial endorsement of the Accounts at its last meeting on 28 June 2012.
17. 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.
18. We also received the Audit Commissions 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.
19. The Audit Commission reported that the Councils 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. Following consideration and approval by the Committee, the Statement was signed off by myself as Chair of the Committee, re-certified by the Chief Financial Officer and published by 30 September 2012.

20. 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 uncertainty over the next few years from the impact of economic conditions on the demand for the services that it provides, centrally driven around welfare reform and NNDR changes.
21. The key challenge to 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.
22. We asked a number of questions in relation to the SOA that resulted in additional information either being provided by officers at the meeting, or that would be subsequently provided, that included:
 - The authority's pension liability
 - Salary reductions
 - Investment rates
 - The valuation of Astley Hall and its assets
 - Capital spend and Financing summary
 - Amortisation periods of the Council's intangible assets

A request was also made to include 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.

Treasury Strategies and Prudential Indicators 2012/13 – 2014/15

23. We received a report from the Statutory Finance Officer that reviewed the Treasury and Investment Strategies that had been approved by the Council on 28 September 2012 and reported on performance in the first half of the year and its compliance with prudential indicators.
24. The only change being proposed to the existing Treasury Strategy was that the limit on investments with the two part nationalised banking groups be increased to £5m from its current £3m. This could generate an additional return of up to £80k at current rates with some risk.
25. The report included investment activity to 22 August 2012 and Members were advised that the average daily amount invested totalled £17.58m on which it received a return of 1.48%, this exceeded the benchmark. We were also informed, that because this level of investment exceeded that budgeted for,

investment income was predicted to be £0.1m greater than estimated and confirmed compliance with the prudential indicators specified in the Treasury Strategy.

26. The Committee noted that presently the maximum permitted investment was either £2m or £3m, the higher limit only applying to deposits that had immediate access (call accounts and market funds) or deposits with Government backed institutions (the part nationalised banks and Debt Management Office (DMO)). This had meant that the Council had regularly had to use the DMO, depositing £3.7m and generating less than £4k in interest.
27. The Code of Practice for Treasury Management specified that Councils should review the treasury strategy and activity half yearly and the Committee supported the recommendation for the Council to increase its investments to £5m with part nationalised banking groups.

Recommendation

28. The Council is recommended to note the report.

COUNCILLOR PAUL LEADBETTER
Chair of Governance Committee

There are no background papers to this report.

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