

Governance Committee

Thursday, 27 June 2013

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

Also in attendance

External representatives: Peter Ripley (Independent Member) and Gareth Winstanley (Grant Thornton UK LLP)

Officer: Gary Hall (Chief Executive), Michael Jackson (Principal Management Accountant), Chris Moister (Head of Governance), Gordon Whitehead (Principal Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

13.G.24 APOLOGIES FOR ABSENCE

There were no apologies for absence.

13.G.25 MINUTES

RESOLVED - That subject to the following amendment the minutes of the Governance Committee meeting held on 14 March 2013 be confirmed as a correct record for signing by the Chair.

Councillor Alison Hansford (Vice Chair) attended the meeting.

13.G.26 DECLARATIONS OF ANY INTERESTS

No declarations of interest were received.

13.G.27 STANDARDS UPDATE – OBSERVATIONS OF THE INDEPENDENT MEMBER

The Committee received a report of the Monitoring Officer that updated them on the views of the Independent Person with regards to recent standards complaints that had been received by the Council and the adopted procedure for processing those complaints.

There had been a number of complaints made against members for breaches of the Code of Conduct and the Independent Person having been involved in the consideration of these complaints, had written to the Monitoring Officer expressing his views on Member conduct.

It is the practice of the authority to deliver annual training for all members and additional sessions were offered to the groups which were accepted. The Monitoring Officer was confident that all councillors had received at least one session on the Code.

The Independent Person had also made some suggestions as to the treatment of complaints within the current procedure, that the Monitoring Officer considered appropriate.

Members noted that the majority of the complaints were around the use of social media and felt that members needed to be reminded that respect must be given at all times and when using all forms of communication.

The Monitoring Officer also reported that he intended to bring a report to the next meeting that would give further details as to the level and number of complaints that the Council had been receiving. The report would also give details on how the breaches, if there were found to be any had been addressed. It was felt that this would give the Committee a better understanding of the Independent Persons concerns and if there needed to be any necessary amendments made to the current procedures.

RESOLVED – That a decision on this report be deferred to the next meeting of the Governance Committee.

13.G.28 GOVERNANCE COMMITTEE UPDATE

The Committee received a report of Grant Thornton that provided progress made 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 Councils financial statements would commence in July and the criteria against which the assessment of our Value for Money (VFM) arrangements would be made.

The report included a number of challenge questions in respect of any emerging issues which the Committee may wished to consider, that resulted in assurance being sought on the management of risks relating to any outsourced IT services and the openness and transparency of our decision making. The Committee asked that if in future, it was possible to have these questions answered in advance to encourage debate at the meeting.

RESOLVED – That the report be noted.

13.G.29 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 Grant Thornton in respect of fraud and corruption as part of the Council's 2012/13 accounts.

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 external auditors 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 Grant Thornton.

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

13.G.30 LOCAL AUDIT & ACCOUNTABILITY BILL

The Committee received a report of the Head of Shared Assurance Services that summarised and explained the main provisions of the Local Audit and Accountability Bill as they were proposed to impact on the Council's external audit arrangements.

Members were already aware of the circumstances leading to the disestablishment of the Audit Commissions in-house practice and the appointment of private firms to provide external audit services to local public bodies.

This new Bill would enable the closure of the Audit Commission's residual functions and set out a framework that required local public bodies to appoint their own external auditors in future.

The overall sector's response to the Bill was also attached for Members information. Amongst the Local Government Association's suggestions were, actually changing the external audit service provider every five years as opposed to tendering and a continuation of the national procurement of external audit alongside local appointment.

Members noted that the Bill was the final step in a programme of reforms to local audit that would deliver estimated savings to the taxpayer of £1.2 billion over a ten year period, with around a £80,000 saving to Chorley Council.

RESOLVED – That the report be noted.

13.G.31 INTERNAL AUDIT ANNUAL REPORT 2012/13

The Head of Shared Assurance Services presented the internal audit annual which summarised the work undertaken by the service during the 2012/13 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. The report also gave an appraisal of the Internal Audit Services performance, including an evaluation of the effectiveness of the Council's system of internal audit.

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 five out of 26 reviews had been given a 'limited' rating. For each of these reviews management actions had either been implemented in full, were in progress or short implementation timescales had been agreed.

Key performance data indicated that the majority of indicators were on or above target, only two areas had varied significantly from the agreed targets and an explanation was provided for Members.

Out of the 22 audit assignments that were scheduled in 2012/13, 18 were completed. For various reasons four were either no longer needed or had been rescheduled for 2013/14.

The Committee were also informed of examples where the Internal Audit's work had added value. These included New Income Streams that would generate additional income to the Council, Lone Working arrangements that resulted in procedures to reduce risks and the use of IDEA interrogation software had resulted in a reduction of potential fraudulent claims requiring investigation.

Key achievements for the team also included retaining the ISO 9001 accreditation, examination success for two members of the Audit Team and the receipt of excellent customer feedback on work undertaken on two reviews for St Catherine's Hospice.

Members noted that the review in the Impact of the Localism Act would be delayed until the Council had a better understanding of how it would affect our services.

RESOLVED – That the report be noted.

13.G.32 ANNUAL GOVERNANCE STATEMENT 2012/13

The Head of Governance presented a report reminding 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.

RESOLVED – That the Annual Governance Statement be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2012/13 financial statements.

13.G.33 TREASURY MANAGEMENT ANNUAL REPORT 2012/13

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 and reported that the return on investments totalled 1.42% which exceeded the benchmark. Details of the borrowings were given and Members were updated on the situation relating to the Icelandic investments.

It was reported that the authorised limit of £9m had been temporarily breached for three weeks at the end of the year. It had been necessary for the Council to borrow an additional 3.0m, causing borrowings to increase to £10.285m. Members noted that the breach was temporary in nature, had been planned and were satisfied that there had been no negative financial consequence as a result of this action.

The Council's Capital Expenditure as at 31 March 2013 totalled £1.827m which was a reduction from the original estimate as some schemes had been rephrased and would continue into the 2013/14 Capital Programme.

Members noted the positive treasury position. The Capital Financing Requirement had reduced and would beneficially reduce further years MRP charges due to actions taken as set out in the Council's Medium Term Financial Strategy to reduce financing costs and bridge the forecasted budget shortfall.

RESOLVED – That the report be noted.

13.G.34 STATEMENT OF ACCOUNTS 2012/13

Members received a report of the Chief Finance Officer giving them sight of the Statement of Accounts (SOA) for 2012/13 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 the completion of the external inspection.

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 £1.277m for the year. Reserves earmarked for specific purposes totalled £4.300m at year end and usable capital reserves had slightly increased to £3.004m. In total, Usable Reserves, available for capital and revenue purposes, totalled £9.400m.

The balance sheet and cash flow statements showed the turnover of cash and final cash position as at 31 March 2013. 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. The Council had managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisaged no relaxation of the pressures, and forecasted budget shortfalls over the next three years.

The pension fund deficit had increased to £41.0m. This figure was however an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts.

The Council's general balance at year end was £2.060m which was in line with the Authority's Medium Term Financial Strategy that specifies they should be no lower than £2.0m.

Capital expenditure over the next three years was constrained by the resources available. Planned spend would be £7.750m. In addition the Council was working with the Health Authorities to fund the building of a health centre, by additional prudential borrowing, at an estimated cost of £6.650m, to be recovered from the Health authorities.

Creditors had been reduced by £2.600m which consisted of a reduction in the amount to the DCLG in respect of business rates (£1.300m) and council tax benefit (£0.400m) plus general creditors. The Collection Fund showed a modest surplus that was consistent with estimates and had been allowed for in the fixing of the 2013/14 Council Tax.

The Chief Executive thanked the Shared Financial Accountancy team for all their hard work in preparing the 2012/13 accounts.

The Chief Executive also 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.

RESOLVED - That the Report be noted.

13.G.35 GOVERNANCE COMMITTEE TRAINING

Members held a short discussion on the different elements of training need requirements that they felt were needed for Members of the Governance Committee and the Council as a whole, when considering financial information, including topics such as procurement, core funding and value for money.

It was considered that the training requirements for the Governance Committee were different to the rest of the Council and it was agreed that the Monitoring Officer would consult further with the Committee on training topics and styles.

RESOLVED

- 1. That a questionnaire be sent to all Members of the Governance Committee on training needs to identify a specific skills set.**
- 2. That wider financial training be provided to all Elected Members.**

Chair