

## **REPORT OF GOVERNANCE COMMITTEE**

### **GENERAL REPORT**

This report summarise briefly the items that were considered and decisions taken by the Governance Committee at its meeting on 27 June 2013.

#### **Standards Update – Observations of the Independent Person**

1. We received a report of the Monitoring Officer updating us on the view 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.
2. 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.
3. It was the practice of the authority to deliver annual training for all members and additional sessions had been offered to the group and accepted. The Monitoring Officer was confident that all councillors had received at least one session on the Code.
4. The Independent Person had also made some suggestions as to the treatment of complaints within the current procedure, that the Monitoring Officer considered appropriate.
5. We noted that the majority of 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.
6. It was explained to us that the Monitoring Officer intended to bring a report to the next meeting that would give further details as to the level and number of complaints that had been received. The report would also give details on, how the breaches, if any, had been addressed. Taking this in to consideration it was felt that this information would give the Committee a better understanding of the Independent Persons concerns and therefore it would be better to delay any decision on the matter.

#### **Governance Committee Update**

7. The Committee received a report of Grant Thornton that provided us with the progress made on delivering their responsibilities has our external auditor. 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.

8. We were informed that the audit of the Councils' financial statements would commence in July and that the criteria against which the assessment of our Value for Money (VFM) arrangements would be made.
9. The report contained a number of challenge questions in respect of any emerging issues which the Committee may wish to consider, that resulted in assurance being sought of the management of risks relating to any outsourced IT services and the openness and transparency of our decision making.

### **Compliance with International Auditing Standards**

10. The Head of Shared Assurance Services presented us with a report comprising information to enable 'those charged with governance' and management/section 151 officer' to provide assurances sought by Grant Thornton, our external auditor, in respect of fraud and corruption as part of the Council's 2012/13 accounts.
11. Given that the assurance 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 the meeting.
12. We noted that Internal Audit, having reviewed specific information were satisfied that the Councils arrangements were such that positive assurances could be given in response to Grant Thornton and agreed for myself, as Chair of Governance Committee and the Chief Executive, as the Council's Section 151 statutory chief finance officer to sign the assurance letters.

### **Local Audit and Accountability Bill**

13. We 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.
14. 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.
15. The 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.
16. The overall sector's response to the Bill was also attached for our information and amongst the Local Government Associations suggestions were, actually changing the external auditor provider ever five years as opposed to tendering, and a continuation of the national procurement and external audit alongside local appointment.

17. We acknowledged 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.

### **Internal Audit annual Report 2012/13**

18. The Head of Shared Assurance Services presented the internal audit annual report 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.
19. A detailed schedule of the work undertaken by the Internal Audit scheme 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 had received a substantial or adequate controls assurance rating, it was Internal Audits opinion that the Council continues to operate in a strong control environment.
20. Only five out of the 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 a short implementation timescale had been agreed.
21. 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 to the Committee. 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.
22. 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.
23. The Committee were also informed of examples where the Internal Audits work had added value. These included, New Income Streams that would generate additional income to the Council, Lone Working arrangements that had resulted in procedural changes to reduce risks and the use of IDEA interrogation software had resulted in a reduction of potential fraudulent claims requiring investigation.
24. 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.

### **Annual Governance Statement 2012/13**

25. The Head of Governance presented a report reminding the Committee of the regulatory framework reminding the Committee of the regulatory framework requiring

the Council review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.

26. The Committee considered the draft annual governance 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 Executives (SOLACE).
27. It was explained what arrangements the Council would take in the forthcoming financial year to build upon and strengthen our corporate governance arrangements and the Committee agreed for the Annual Governance Statement to be formally signed off by the Leader of the Council and Chief Executive for submission to external audit, alongside the 2012/13 financial statements.

### **Treasury Management Annual Report 2012/13**

28. We received and considered a report of the Chief Executive that updated the Committee 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.
29. 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 we were updated on the situation relating to the Icelandic investments.
30. 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.
31. 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.
32. The Committee 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 Councils Medium Term Financial Strategy to reduce financing costs and bridge the forecasted budget shortfall.

### **Statement of Accounts 2012/13**

33. We received a report of the Chief Finance Officer that gave us sight of the draft 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.

34. The Committee was not required to approve the Statement of Account by 30 June before inspection of the external auditors, but would give them final approval prior to 30 September as they have done previously.
35. 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.
36. The balance sheet and cash flow statements showed a turnover of cash and final cash position as at 31 March 2013. The Council's Treasury Management Strategy is 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 pressures, and forecasted budget shortfalls over the next three years.
37. The pension fund deficit has 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 fund over a long period less its current assets and anticipated future receipts.
38. The Council's general balance at the end of the year was £2.060m which was in line with the Authority's Medium Term Financial Strategy which specifies they should be no lower than £2.0m.
39. 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.
40. Creditors had 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 in the fixing of the 2013/14 Council Tax.
41. The Chief Executive thanked the Shared Financial Accountancy team for all their hard work in preparing the 2012/13 accounts and advised that Mr Gordon Whitehead was retiring and attending his last Committee meeting. The Committee thanked Mr Whitehead for his contribution and support to the Committee and extended best wishes for the future.

## **Governance Committee Training**

42. We held a short discussion on the different elements of training need requirements that the Members felt was needed for Governance Committee and the Council as a whole, when considering financial information, including topics such as procurement, core funding processes and value for money.
43. It was considered that the training requirements for those Members sitting on Governance Committee were different from the rest of the Council and it was agreed that the Monitoring Officer would consult further with the Committee on training topics and styles.

## **Recommendation**

44. To note the report of the Governance Committee

Councillor Paul Leadbetter  
Chair of Governance Committee

There are no background papers to this report.  
DS