

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business transacted at the meetings of the Governance Committee on 16 January and 14 March 2014.

GOVERNANCE COMMITTEE – 16 JANUARY 2014

Audit Commission report: Protecting the Public Purse 2013

2. We received a report of the Head of Governance informing the Committee of a recent report from the Audit Commission addressing the issues of fraud against local authorities and making recommendations as to improvements that Councils can make and to confirm to Members the actions Chorley Council take to address fraud.
3. In November the Audit Commission had issued a report Protecting the Public Purse 2013: Fighting fraud against local government. The report sought to address the issue of fraud against local government and highlighted areas of best practice. The Council is proactive in detecting fraud, and had robust procedures in place; taking part in the National Fraud Initiative since its inception.
4. It was recommended that in order to safeguard the Council, the Vice Chair and I would meet with officers to look at the procedures and report back to the Committee at its next meeting.

Annual Governance Report 2013 – Progress Report

5. The Head of Governance presented a report updating the Committee on the progress made in implementing the Council's Annual Governance Statement which provides for improvements to the Councils Governance arrangements. We approved the Councils Annual Governance Statement in June 2013 and this report provided the Committee with a position statement for each project.

Annual Audit Letter 2012/13

6. We received a report of our external auditor that provided a summary of the work carried out by them at Chorley Council for the year ended 31 March 2013. The letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. The report included the audit conclusions which were provided in relation to 2012/13.

Certification Report 2012/13

7. A report of the Council's External Auditor, Grant Thornton was received by the Committee. As part of the work that they had undertaken they are required to certify certain of the claims and returns submitted by Chorley Council.
8. The report summarised the overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims.
9. There were two issues identified but not that affected the Council's ability to claim. The level of supporting working papers was good, and the auditor thanked Council Officers for their assistance and co-operation.

Internal Audit Interim Report as at 29 November 2013

10. We received a report of the Head of Shared Assurance Services advising Members of the work that had been undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period August 2013 to November 2013.

11. The report indicated that the Audit Plans were on target to be achieved and all performance indicators were on or exceeding target. Five pieces of work had been completed and management actions had been agreed with Heads of Service.

GOVERNANCE COMMITTEE – 13 MARCH 2014

Governance Committee Update

12. The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in relation to these issues that we may wish to consider.
13. The draft audit plan was still expected to be issued by the end of March and would be presented to our next meeting. It was reported that three in ten Councils are exhibiting some form of financial stress and whilst this did not currently appertain to this authority the Council fully understood that they needed to be aware of any tipping point under the current climate changes.
14. One of the main focuses for review in 2014/15 would be the Council's decision to buy the Market Walk development. In order to make a conclusion on its value for money, they would look at the decision making processes in more detail, how the facility will be managed, the details of the financial modelling, net profit figures, and process and risk management.

New Public Sector Internal Audit Standards

15. The Head of Shared Assurance Services presented a report apprising us of the new requirements for Internal Audit, that had been set out in recently published Public Sector Internal Audit Standards.
16. Members noted that the Internal Audit Service had already adopted some of the practices and requirements that were set out in the new standards and the report provided information on any additional practices that were being implemented following the publication.
17. It was agreed that the Internal Service Charter that had been drafted based on a prescribed template be adopted by the Council for signing by the Chair and Head of Shared Assurance Services.

Internal Audit Plan 2014/15

18. We received a report that reminded the Committee of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council. The report also sought approval of the Internal Audit Plan for 2014/15 and gave an explanation of the revised controls assurance rating system.
19. The plan had been constructed following a risk assessment which considers a range of risk factors, such as the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. Consultation also takes place within each service and with Strategy Group who takes an overview of audit requirements.
20. It was explained that every audit that is undertaken is allocated with a rating, limited, adequate or substantial, to show the degree of assurance that is able to be given to management regarding the levels of internal control present in each system that is review.

21. The Internal Audit Service had been mindful for some time that this approach does not put each system in to context to show its relative risk to the overall effective governance of the organisation, as some systems are more important than others. In 2014/15, each audit will be allocated with a control assurance rating from a scoring matrix which will reflect the impact that it would have on the organisation in financial/and or reputational terms if it were to fail.

Strategic Risk Update Report

22. The Chief Executive presented a report providing us with an update of the Strategic Risk Register which included 14 strategic risks to the Council, including actions in progress as well as any new action planned to further mitigate identified risks. The Strategic Risk Register is a live document and is constantly being updated to reflect the changing political, economic and financial environment to ensure that any emerging strategic risk factors that are a threat to the Council are identified.
23. Most of the risk categories remained at the same level given the current funding situation and impact on resource, with six areas identified as 'high risk'. One new risk had been added to the register to reflect the need to manage large investments effectively and the risk relating to the ability to resource Council priorities in light of public sector funding cuts had been increased to reflect impact on business.
24. We were informed that whilst R2: Reduction in staff satisfaction and morale with the Council including increase in sickness absence was rate as medium, the latest figures showed that sickness absence was reducing compared to last year.
25. R11: Failure to realise the benefits of new technology and related impact on driving organisational change had reduced to a low rating. This was mainly due to the delivery of staff training across the authority. Although business continuity arrangements, that incorporated IT security and backup systems being in place was still ongoing and arrangements were reported within the Annual Governance Statement.
26. The Committee discussed some of the arrangements in place to mitigate R5: External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform. The presence of the Credit Union within the Town was a key service to reduce the impact of welfare reform. The Housing Services team have reported big increases in the requests for help for housing following the recently introduced removal of the spare room subsidy and there has been a significant increase in referrals for the food bank. The Council are helping, by offering a Bonds scheme for rentals and the funding of a discretionary housing pot to enable people to stay in their homes.
27. Although R3: Reduction in satisfaction with the Council was still rated as high, it was explained that generally satisfaction was considered good across the many services of the authority. There were some outstanding issues that were being addressed and there will always be some people who are dis-satisfied for differing reasons and that some dis-satisfaction is around services that this Council does not deliver.

Recommendation

28. To note the report.

COUNCILLOR PAUL LEADBETTER
Chair of Governance Committee

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