



**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Friday, 12 September 2014

**MEMBERS PRESENT:** Councillor Paul Leadbetter (Chair), Councillor (Vice-Chair) and Councillors Julia Berry, Anthony Gee, Matthew Lynch, June Molyneaux and Mick Muncaster

**OFFICERS:** Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

**APOLOGIES:** Councillor Peter Goldsworthy and Margaret France

**OTHER MEMBERS:** Councillor Peter Ripley (Independent Member)

**14.G.33 Minutes**

Apologies for absence were received from Councillors Peter Goldsworthy (Vice Chair) and Margaret France.

**14.G.34 Declarations of Any Interests**

There were no declarations of interest.

**14.G.35 External Audit Findings Report 2013/14**

The Committee received a report of the External auditor on their audit findings for the authority for the year ending 31 March 2014 that highlighted key matters arising for the Council's financial statements.

The Auditor intended to issue an unqualified opinion on the financial Statements and Value for Money conclusion.

There were a number of key messages arising from the audit of the Council's financial statements. The statements were supported by adequate working papers and no adjustments had been identified that would affect the Council's reported financial position.

A small number of material misstatements had been identified which management had agreed to amend. These related to the accounting treatment for Market Walk, together

with accounting requirements for the introduction of changed arrangements for IAS19 costs and NNDR collection.

No significant weaknesses of internal control had been identified and only one minor weakness identified in respect of the bank reconciliation process.

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources had been discussed with the Chief Executive and Head of Shared Financial Services.

Recent DCLG consultation on the bringing forwards of the accounts timetable in future years, (2017/18) represents a significant challenge for both finance and audit teams. For Chorley the technical accounting demands on the team are growing as it enters into non-traditional operational activities adding additional challenge. However, officers were confident that they would continue to deliver.

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

#### **14.G.36 Statement of Accounts 2013-14**

The Head of Shared Financial Services presented a report that sought approval of the audited Statement of Accounts for its publication by 30 September under the requirement of the Accounts and Audit Regulations 2011. Once approved the signed Statement would be published on the Council's website.

The Chair queried why the Accounts had been delayed so long, it was explained that the figures for 2012/13 had been restated to apply a change in accounting policy relating to pension costs. Market Walk had been reclassified as a Property, Plant and Equipment asset, rather than an Investment Property, which had required amendments to several statements and notes.

This was an adjustment that the Council's Chief Financial Officer (Section 151 Officer) fundamentally disagreed with. There seemed to be a lot of inconsistency nationally regarding this type of investment and the External Auditors had agreed to raise this issue at a higher managerial level.

Balances for Short-Term Creditors had been adjusted by £3.628m with Debtors being decreased by the same amount (£3.628m) which had a nil effect in total and a £0.493m restatement in 2012/13 in respect of Long-Term Creditors had been reversed so that the adjustment is implemented in 2013/14.

Grant Thornton also admitted that there had been some staffing issues that had impacted on the audit of the authority's accounts that would be addressed for future. The External auditor did intend to issue an unqualified opinion for both the Statement of Accounts and Value for Money conclusion. This would also indicate that there are no significant weaknesses in internal controls to highlight and that the adjusted misstatements had a nil impact on net expenditure. However, as the accounts were still being worked upon the recommendation in the report needed to be amended.

**RESOLVED**

**1. That the report be noted**

2. That the Governance Committee approve the statement of accounts as drawn, subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are considered material, Governance Committee will be reconvened to approve the new Statement of Accounts.
3. That once the final Statement of Accounts have been approved the Letter of Representation be approved for signature by the Chair of Governance Committee and Chief Executive.

#### **14.G.37 Internal Audit Interim Report as at 1 August 2014**

The Committee received a report of the Head of Shared Assurance Services advising of the work undertaken in respect of the Internal Audit Plans for Chorley Council and shared Financial Services for the period 1 April – 31 July 2014. The report also gave an appraisal of the Internal Audit Service to date and informed Members of general developments involving or impacting on the work of the service.

The report demonstrated that the Audit Plans were on target to be achieved and that the majority of the performance indicators had either been achieved or had been exceeded.

A table provided a summary of the audit work completed during the period with any control issues identified.

A member of the Internal Audit team had been successful in the recent examinations and meant that all the team are professionally qualified and had achieved the Institute of Internal Auditors Diploma. The Committee offered their congratulations on this achievement.

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

#### **14.G.38 Strategic Risk Register Update Report**

The Committee received a report giving an update of the Strategic Risk Register which included 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

The Strategic Risk Register is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which need to be managed strategically and is reviewed every six months.

Seven of the risk categories remained at the same level with five of these areas identified as 'high risk'. One new risk had been added to the register following the recent high levels of public interest in consultations and planning applications such as the Gypsy and Traveller site allocation and the Croston flood scheme. Members asked

if the wording of this risk could be amended so that it was regarding high profile consultation in general and not specifically related.

Following improvements in performance, four risks had decreased. Reduction in satisfaction with the council, failure to sustain our performance in light of budget cuts and reduction in staff morale with the Council including increase in sickness absence had all been decreased by one. Failure to realise the value of large budget investments and achieve return on investment had decreased by two, following the recent report that income generated from the Market Walk shopping centre had been higher than expected.

Three risk scores had increased since March 2014. The highest increase in risk was for R3, failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation had increased from 5 to 8. This increase had resulted from the Council's decision to investigate the business case for seeking to become a unitary council and took into account the potential impact to the organisation financially and operationally as well as on partner relationships.

The highest risks continued to be focused on budget cuts and maintaining performance under challenging conditions. These risks continued to be to be managed effectively with a number of actions having already been delivered including the newly formed Chorley Public Service Reform Board, strong Medium Term Financial Strategy and ongoing Business Planning and Corporate Strategy refresh.

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

#### **14.G.39 Standards Update**

The Monitoring Officer reported that there one complaint that had been received but that there had not been a breach of the code.

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

#### **14.G.40 RIPA Application Update**

The Monitoring Officer reported that there had been no RIPA applications made.

#### **14.G.41 Work Programme 2014-15**

Following a recent training session for Members of the Governance Committee, it had been agreed that the committee's Work Programme for the year would be included on the agenda for each meeting.

The training session had been well received by the Committee and the Chair thanked the officers for their involvement.

**RESOLVED – That the work Programme be noted.**

Chair

Date