

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business transacted at the Governance Committee meetings held on 14 January and 11 March 2015.

GOVERNANCE COMMITTEE – 14 JANUARY 2015

Annual Audit Letter 2013/14

2. We received a report from our external auditor that provided a summary of the work carried out by them at Chorley Council for the year ending 31 March 2014. The letter communicated key messages for the Council and external stakeholders, including members of the public. The report includes the audit conclusions which were provided in relation to 2013/14. The work on certification of grant claims was now completed and the detailed findings were reported to us in the Grant Certification report.

Certification Letter 2013/14

3. A letter of certification from the Council's External Auditor, Grant Thornton was received by the Committee. As part of the work they undertake for the authority they are required to certify certain claims and returns submitted by the Council.
4. One claim for housing benefits had been certified for the financial year 2013/14 relating to expenditure of £26.2 million. There were no issues arising from the certification work that needed to be highlighted for further attention and they were satisfied that the Council had the appropriate arrangements in place to complete accurate and timely claims/returns for audit certification.
5. The indicative fee for 2013/14 was based upon the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes that no longer required certification such as the national non domestic rates have been removed and the fees for the certification of housing benefits subsidy claims have been reduced by 12 percent to reflect the removal of council tax benefit from the scheme.

Governance Committee Update

6. We 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 as a Committee may wish to consider.
7. The 2014/15 Audit Plan was still on track to be issued by the end of March and would be presented at the Committee's next meeting. Interim fieldwork visits included, a review of the authority's control environment, early substantive testing and a proposed Value for Money conclusion.

Treasury Strategy and Prudential Indicators 2014-15 – Mid Term Review

8. The Committee received a report of the Chief Executive that reported on the Council's performance and compliance with Prudential Indicators in the 2014/15 financial year to the end of November. The report took into account changes to the revenue and capital budgets reported to Executive Cabinet through the year and the Prudential Indicators had been updated to reflect rephrasing of the capital expenditure and changes to financing.

9. The Capital Financing Requirement (CFR) had been recalculated to reflect rephrasing of capital expenditure to be financed by borrowing from 2013/14, and from 2014/15 to later years and we were informed that net borrowing to gross borrowing and other long term liabilities less surplus cash in vested were expected to be much lower than the CFR in 2014/15.
10. The average interest earned was 0.64%, to the end of November. However cash balances had been used as a source of internal borrowing to minimise external borrowing at higher rates of interest, thereby achieving revenue budget savings.
11. The report also reviewed a number of issues arising in the UK banking sector. Whilst no immediate change to investment counterparties was required, regulatory changes may have an impact on the ratings given to UK banks and the authority's list of counterparties would be reviewed and presented for approval as part of the Council's Investment Strategy for 2015/16.
12. The Committee sought clarification on how much debt the Council actually had and the Chief Executive explained that the amount was reflective of how much the authority needed to borrow at a particular time. Assurance was given that the Council refinanced appropriately when interest rates lowered.

Members Code of Conduct: Members discharging the role of a Councillor

13. The Monitoring Officer submitted a report that sought guidance from the Committee about the point at which Members are deemed to be discharging their role as a Councillor. Although there have been relatively few complaints made against the conduct of our members, one of the issues that frequently causes discussion between the Monitoring Officer and the Independent Person is "when a Councillor is acting as a Councillor?".
14. Given that the new regime was intended to be light touch, the Council's Monitoring Officer had been following guidance by the Standards Board for England following the documented Ken Livingstone case. However, the Independent Person had indicated a view that this approach was too restrictive; a view supported by members of the Governance Committee who have expressed a view that members of Chorley Council should routinely demonstrate higher standards of behaviour than that required of by the local standards regime.
15. Any change in approach would have to be brought to the attention of all members and although this would not require a constitutional change, the guidance note would be amended to reflect any changes for approval of full Council. The report prompted a detailed discussion by the Committee and we agreed to pursue the matter further with all Councillors through group meetings to obtain views to be reported back to the next meeting of the Committee for further discussion.

Internal Audit Interim Report as at 28 November 2014

16. We received a report of the Head of Shared Assurance Services advising us 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 to November 2014 and an appraisal of the Internal Audit Services' performance to date.
17. Only one area had been rated as Red, the review of Plant and Equipment had identified a lack of internal control which exposed the Council to significant risk of misappropriation and financial loss. The internal audit team continues to work with Streetscene to ensure that all agreed

management plans were implemented in full and we were informed that this rating would stay in place

18. The report also provided the Committee with a 'snapshot' of the overall progress made in relation to the 2014/15 Internal Audit Plans, indicating which audits had been completed and their control rating, those that are in progress or yet to start and we noted that both Audit Plans were on course to be achieved.

GOVERNANCE COMMITTEE – 11 MARCH 2015

Governance Committee Update – year ended 31 March 2015

19. The External auditors reported on progress made in delivering their responsibilities to the Council. They summarised the relevant emerging national issues and developments that included a number of challenge questions for Members to consider.
20. The interim audit was still on track and the auditing of the authorities final accounts for 2014/15 would commence at the start of the summer for presentation to the Committee at the end of September along with the Value for Money conclusion, work on which had just commenced.
21. In December 2014, the External Auditors had published a national report – Rising to the challenge, the Evolution of Local Government. Its overall message was encouraging as local authorities have navigated the first round of austerity measures well and most Chief executives were confident of their medium term financial strategy. Some authorities were exhibiting strong leadership as was evident here at Chorley. There did however remain much to be achieved if the sector was to become sustainable in the long term and a number of suggested actions were contained within the report for our consideration.
22. The CIPFA Code has adopted a new suite of standards of accounting for subsidiaries, associates and joint arrangements. These changes affect local authority's accounts for those services delivered through other entities or joint working with partners. The partnership arrangements with our housing providers and potentially the delivery of the Friday Street Health Centre would fall into these new arrangements.
23. We were informed that the DCLG had just agreed proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although a few years away, both local authorities and their auditors will need to make real changes in how they work to ensure that they are match-fit to achieve this deadline. In preparation for this change, Chorley Council's accountants have attended Grant Thornton workshops on Final Accounts and have visited Oldham Council who had been chosen to trial these new arrangements.

Chorley Council Audit Plan 2014/15

24. The Committee received the External Audit Plan for the Council as at 31 March 2015 that had been submitted by Grant Thornton, the authority's external audit providers. A risk based audit if the Council had been undertaken that focused on those areas where there was the potential risk of material misstatement in the accounts and no specific risks had been identified for Chorley.

25. The finding of their interim audit work were summarised and no material weaknesses had been identified. The Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources in its Value for Money (VfM) conclusion.
26. The Committee discussed the work that the Council were currently undertaking to explore different ways of delivering services to its residents. A recent Commission consisting of a panel of experts had been held at the Council looking at the future of public services in the borough and to investigate whether or not to pursue unitary status for the borough instead of the current two-tier system. The Chief Executive explained that the dialogue between our partners had prompted the Council to discuss alternatives to that of the unitary model. The only certainty was that the current arrangements had to change and it could be that this may just be a staging post to something bigger but that any change would be specific to Chorley.

Internal Audit Plan 2015/16

27. We received a report of the head of Shared Assurance Services reminding Members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council and sought the Committee's approval of the 2015/16 Internal Audit Plan.
28. The Plan contained the programme of reviews that had been highlighted for the next financial year and had been constructed following a risk assessment that covered a range of risk factors such as items in the Corporate Risk Register, significant changes in staffing or procedures and the length of time since an area had been last audited. There had also been extensive consultation with each service and with Strategy Group that gave an overview of audit requirements.

Annual Governance Statement 2014 – Update Report

29. The Committee received a report of the Head of Governance that updated Members of the progress made in implementing the Council's Annual Governance Statement which provided improvements to the Council's Governance arrangements.
30. In June 2014, we had approved the Statement that included a number of pieces of work, which if implemented would enhance the Council's Governance arrangements and the report contained a position statement against each project.
31. Most actions were rated Green, however there were two action points currently rated as Red and an explanation was provided against each one. The first related to clear document retention guidelines. This action had been postponed pending the updating of the Council's Microsoft software packages, in particular, MyShare which is the Council's document management system, these updates would now take place in 2015/16 but it was considered that guidance available on the Loop was currently fit for purpose.
32. The second action point rated as Red was to review the consistency and compliance with the Council's Equality Scheme that had slipped due to capacity issues. Work was continuing to support services in undertaking impact assessments and ensuring that they are in place for new policies, changes in service and decisions such as the Council's budget. However, although we were satisfied that the Council had good equality standards across the authority, the Council

needed to guard itself against complacency and we asked for this work to be completed in a timely fashion for a date to be agreed with the Chair of Governance Committee.

Recommendation

33. That the report be noted.

COUNCILLOR PAUL LEADBETTER
CHAIR OF GOVERNANCE COMMITTEE

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