

REPORT OF GOVERNANCE COMMITTEE

1. This report summaries the business transacted at the Governance Committee meetings held on 25 January and 22 March 2017. Following apologies from the Chair, Councillor Paul Leadbetter, the Vice Chair, Councillor Anthony Gee took the Chair for the 22 March meeting.

GOVERNANCE COMMITTEE – 25 JANUARY 2017

Governance Committee: Progress and Update Report

2. The Committee received a report that showed progress made by our External Auditors in delivering their responsibilities. The 2016/17 Audit Plan was still on track to be issued by the end of March and be presented to the Committee's next meeting. Interim fieldwork visits had included a review of the authority's control environment, updating and understanding of financial systems, review of core financial systems, early work on emerging accounting issues, early substantive testing and a proposed Value for Money conclusion.
3. The scope of work to inform the 2016/17 Value for Money conclusion had changed as set out in final guidance issued by the National Audit Office and to ensure that the auditors were satisfied that the council have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, areas of focus would be around informed decision making, and the deployment of resources to achieve planned and sustainable outcomes for Taxpayers and local people. The report was noted.
4. Gareth Winstanley (Grant Thornton UK LLP) was attending his last meeting and the Chair, on behalf of the Committee, thanked Gareth for all his hard work and support over the years and wished him every success in his new venture.

Treasury Management activity to 31 December 2016

5. The Chief Executive submitted a report on Treasury Management and performance and compliance with Prudential Indicators in the financial year 2016/17 to the end of December. Average interest earned was 0.03% to the end of this period. As in 2015/16, cash balances had been used as a source of internal borrowing at higher rates of interest, thereby achieving revenue budget savings. Updated Capital Expenditure and Capital Financing Requirement Prudential Indicators would be presented in the Treasury Strategy report to Full Council on 28 February 2017 and to the next meeting of Governance Committee in March.
6. The Council's treasury advisors, Capita Asset Services, had provided a detailed commentary on interest rate forecasts which was appended to the report. Compared to the previous interest rates forecast, PWLB rates were lower than had been expected and were not considered likely to increase by much a had previously been suggested. It was anticipated that there would be the potential to borrow money more cheaply from other authorities rather than PWLB in the future. Any future projects that the Council may embark upon, would take into account the cost of borrowing for the organisation and associated risks. The report was noted.

Changes to arrangements for appointment of External Auditors

7. The Committee was reminded of the various arrangements available to the Council to appoint its external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton UK LLP came to an end. These included setting up an independent auditor appointment panel or

opting into a Sector Led Body (SLB) that would negotiate contracts and make appointments on behalf of councils. The advantages and disadvantages were highlighted within the report.

8. Although the Council had until December 2017 to make an appointment, in practical terms, this would mean that one of the options would need to be in place by spring, to facilitate the negotiation process. Public Sector Audit Appointments LTD (PSAA) have been chosen by the Secretary of State for the SLB and on 27 October 2016, the Council received a formal letter of invitation to opt into the sector led approach.
9. The length of compulsory appointing period is five consecutive years from 1 April 2018 and any decision to become an opted-in authority must be taken in accordance with prevailing regulations that is by the members of an authority meeting as a whole. The closing date for acceptance is 9 March 2017 and the Committee agreed to recommend to Full Council the approval of option 3, thereby accepting the invitation from Public Sector Audit Appointments Ltd, to become an opted-in authority for the purposes of the appointment of its external auditor thus dispensing with the need to set up its own appointments panel.

Internal Audit and Interim Report as at 30 December 2016

10. The Head of Shared Assurance Services presented a report advising the Committee on the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period August to December 2016 and its outcomes. The report also gave an appraisal of the Internal Audit Service's performance to date. All Audit Plans were on target to be achieved and the majority of performance indicators would either be achieved or exceeded.
11. A summary of all audit work completed since the last meeting was provided together with the control issues that had been identified. Three audits, Performance Management, Information Governance and Review of Fuel Consumption, had received a control rating of Red and the Committee discussed each of the areas in turn. A number of actions had been implemented that were all mainly around the completion of documentation to evidence the procedures and processes that had been carried out by officers to ensure compliance with policy and protocol.
12. The Committee were concerned about the number of systems that were in place that were not being followed by staff and although it was accepted that people were stretched and that this was part of the issue, the importance of following correct procedure and process was of paramount importance to the Council's governance arrangements and has such felt that officers needed to place greater importance to ensuring that correct systems were adhered to.
13. Members were informed that in line with the latest Internal Auditing practices, from 2017/18 they would be developing their approach to audit assignments by asking managers and staff to compile risk registers for each function/system under review. It was hoped that this would encourage a greater ownership of risk management within services and thereby improve the level of internal control operating throughout the Council. The report was noted.

RIPA Inspection

14. The Monitoring Officer presented a report that updated the Committee of a recent inspection that had taken place in September 2016 to assess compliance with our obligations under the Regulation of Investigatory Powers Act (RIPA). A copy of the Inspection Report undertaken by the Office of Surveillance Commissioners was appended to the report. The Council have not

granted a RIPA authorisation of any sort for a number of years and none since its last inspection. The report therefore confined itself to addressing how the Council complied with the recommendations of the last inspection and a review of current systems.

15. Member's attention was drawn to three areas of improvement that included minor factual changes to the body of the RIPA Policy, an expansion on guidance relating to social media and a review of the policy on the use of the CCTV suite situated within the police station. This would be undertaken jointly with Lancashire Constabulary to reflect that it is primarily used by them.
16. The Committee queried why the Chief Executive being appointed as the RIPA Senior Responsible Officer was considered unusual and were informed that although in many authorities this responsibility lay with the Monitoring Officer, the Council had taken the stance that as requests were so infrequent it would be more prudent for the Chief Executive to consider and authorise any requests. The report was noted.

GOVERNANCE COMMITTEE – 22MARCH 2017

Audit Plan – Chorley Borough Council 2016/17

17. The External Auditors, Grant Thornton, gave an overview of the planned scope and timing of the audit for the year ending 31 March 2017, allowing Members to understand the key requirements in bringing the plan together and the risks and consequences of the work being carried out. The aim was to complete all substantive audit work as part of the financial statements by 31 July 2017, and that as part of their opinion, consideration would be given to whether the authorities financial statements accurately reflect the financial reporting changes in the 2017/18 Code.
18. The audit focused on risks and the Committee's attention was drawn to those risks that had been identified as part of the process along with of the actions identified to improve in these areas.
19. The Code requires the External Auditors to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources, known as the Value for Money (VfM) Conclusion. It was reported that the results of their VfM audit work and key messages arising would be reported in the Audit Findings Report and Audit Letter. A conclusion on the Councils financial statements will be received by 30 September 2017.
20. As a result of an initial risk assessment, two areas of significant risks had been identified for further investigation:
 - Medium term financial planning, and
 - Risk management arrangementsDetails were provided within the report of the work proposed to address these risks. The Chief Executive commented that these areas were likely to be considered by all local authorities in view of current budget issues. He was however, confident that the Council could deliver as Chorley Councillors make collective, non-political decisions about such major issues. The report was noted.

Annual Audit Letter

21. The Committee noted 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 2016. The letter communicated key

messages to the Council and external stakeholders, including members of the public. The report includes the audit conclusions which were provided in relation to 2016. Members were pleased to note that there were no findings of any concern.

22. Grant Thornton wished to extend their appreciation for the assistance and co-operation provided to them during the audit by the Council's staff. Gareth Winstanley had commented on how much he had enjoyed working with Chorley over the past five years and wanted to pass on his thanks to the finance team and the Committee.

Certification Work for the year ended 31 March 2016

23. The External Auditors were required to certify the Housing Benefit subsidy claim for 2015/16 relating to expenditure of £26.2 million submitted by Chorley Council. Details of the claim certified was appended to the report and confirmed that no errors were identified that impacted on subsidy. The report was noted.

Governance Committee Progress and Update

24. The Committee noted a report showing 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 the Committee may wish to consider.
25. A recent national report on Income Generation included a case study on Chorley Council's purchase of Market Walk. In response to the Chair, it was explained that there was a mixed picture regarding other authorities exploring income generation schemes. It was also reported that Grant Thornton had delivered some financial account workshops that Chorley Council staff had attended.

Understanding Local Authority Financial Statements

26. The Chief Executive submitted a report on understanding local authority financial statements. Following feedback from consultations from local authority accounts preparers and the working group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.
27. The changes to the 2016/17 Code therefore has two main strands:
 - To allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
 - To introduce a new Expenditure and Funding analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement that will replace the current segmental reporting note.
28. The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis. It was highlighted to Members the

different formats that the newly presented information would take and officers advocated the reading of the CIPFA documentation to gain a better understanding of the changes. It was also suggested that Governance Committee Members would benefit from a training session on this topic.

Fighting Fraud and Corruption Locally – The Local Government Counter Fraud & Corruption Strategy 2016 – 2019

29. The Head of Shared Assurance Services presented a report that evaluated the Council's compliance with Fighting Fraud & Corruption Locally – The Local Government Counter Fraud & Corruption Strategy 2016-2019. The report also presented an analysis showing the Council's existing compliance with the Strategy together with an action plan to address any areas of non-compliance.
30. Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.
31. The 2016 Annual Governance Statement contained an action to undertake a review to ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy and companion. This review had now been undertaken and it had been highlighted that there were four requirements where the Council's arrangements could be strengthened and details of the further action required was detailed within the report. The report was noted.

Internal Audit Plan

32. The Committee received a report of the Head of Shared Assurance Services that reminded members of their 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 2017/18 Internal Audit Plan. The 2017/18 Internal Audit Plan contained the programme of reviews for the next financial year and was appended to the report.
33. As advised at the last Committee meeting, the team would be introducing a risk based approach to auditing from 2017/18 onwards. This approach is to encourage greater ownership of risk and control issues within services and to optimise the benefits from the Internal Audit Service. Using this revised methodology the team will audit all the Council's CRITICAL systems, and some MAJOR systems will be audited over the next two years. The Committee approved the Internal Audit Plan for 2017/18

Code of Corporate Governance

34. The Director of Governance and Policy submitted a report to advise members of changes made to the Council's Code of Corporate Governance that was appended to the report. The Council are required to adopt a Code of Corporate Governance which demonstrates how the authority complies with its legislative requirements, the principles of good governance and management processes. In 2007 CIPFA/SOLACE issued a Framework and Guidance Document entitled Delivering Good Governance in Local Government which established the Framework and

Principles in which the Code could operate. Chorley Council has used this framework as the basis for our Corporate Governance since that time.

35. In 2012, to reflect a change in the Regulations, CIPFA/SOLACE issued new guidance and an addendum to the Framework. The Framework Document was reissued in 2016 and established seven Core Principles to replace the previous six. The focus of the Framework was now to encourage Local Authorities to establish local codes with their own approaches to Corporate Governance and the new Framework sought to promote a customer focus in how the Council seeks to achieve its objectives. Approval was granted to update the Code of Corporate Governance.

Members Code of Conduct: Procedural Amendments

36. The Committee received a report of the Monitoring Officer that sought approval of proposed changes to the Council's arrangements for Dealing with Complaints about the Conduct of Elected Members. A recent complaint had sought to withdraw a complaint concerning the conduct of an Elected Member after an Investigating Officers report had been completed. The report found that there had been a breach of the Code, however, the complainant had decided not to pursue the matter further.
37. In consultation with the Independent Person, the Monitoring Officer had concluded that without the engagement of the complainant, it would be difficult to evidence the complaint and it was jointly advised that the matter should be discontinued. Whilst there is provision for a departure from the current procedure to not specifically address the situation. It was felt that additional guidance should be included to support Members and Officers in making a decision where the complainant seeks to withdraw. The Independent Person explained that this course of action would enable more serious cases to be followed up even where withdrawn.
38. It was agreed to amend the Complaints about the Conduct of Elected Members section of the Constitution to include a specific provision for addressing the withdrawal of a complaint as detailed in paragraph 10 of this report and to recommend to full Council the approval of the change in the Constitution.

Recommendation

39. To note the report.

COUNCILLOR PAUL LEADBETTER
CHAIR OF GOVERNANCE COMMITTEE

COUNCILLOR ANTHONY GEE
VICE CHAIR OF GOVERNANCE COMMITTEE

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