

REPORT OF GOVERNANCE COMMITTEE

1. The report summarises the business transacted at the Governance Committee meeting held on 20 September 2017.

GOVERNANCE COMMITTEE – 20 SEPTEMBER 2017

External Audit Findings Report 2016/17

2. The Committee received a report of the External Auditor on their findings for the authority for the year ending 31 March 2017, that highlighted the key matters arising from the Council's financial statements and appreciation of the finance team and associated officers for their assistance during the audit. The Auditor intended to issue an unqualified opinion on the financial Statements and Value for Money conclusion by 30 September 2017.
3. One adjustment had been identified that amended the Council's reported financial position. However, this was essentially a timing issue and did not reduce the level of resources available in 2017/18 and therefore the Council decided to not amend as officers concluded that it did not have a material impact on the understanding of the financial statement. The External Auditors required a representation as to why Chorley Council chose not to amend the identified issue. This was addressed in the Letter of Representation.
4. The key messages arising indicated that a £2.4m grant was incorrectly credited to the Comprehensive Income and Expenditure Statement (CIES) in 2016/17 as the conditions set out in the agreement with the Homes and Communities Agency (HCA) had not been met. One issue was identified as above and a small number of disclosure issues were also amended, however it was considered overall that the Council had a good set of accounts.
5. Members expressed concern with regards to the time taken to be in the position as reported considering the SOA had been completed on 12 June 2017. Officers recognised a number of external and internal issues that had affected working towards meeting the deadline. Reassurances were made that discussions would be held following the deadline to assess this process and suggest improvements. It was agreed that this would be brought back to the next scheduled Governance Committee to ensure that this be mitigated for the next financial year. The report was noted.

Statement of Accounts 2016/17

6. The Governance Committee received a report that sought approval of the audited Statement of Accounts (SOA) for its publication on 30 September 2017, under the requirement of the Accounts and Audit Regulations 2015. Once approved, the signed statement would be published on the Council's website.
7. Members were informed of material changes to the SOA from the draft version published on 23 June 2017. The main adjusted misstatement was in respect of the accounting treatment of a capital grant from the HCA, for the financing of the Primrose Gardens Retirement Living Capital project. The £2.404m HCA grant was accrued in the 2016/17 accounts, the cash having been received in early April 2017. Other changes included the netting off the Bank Overdraft from Cash and Cash equivalents in Current Assets; and restating the 2015/16 figures for receivable rents in the Leases note.

8. Members were advised that at the time of preparing the report and the current version of the SOA, the auditors were still undertaking a limited amount of checks. Due to the audit not having been finalised, it was possible that further changes to the SOA could be required. As a consequence it was agreed that the Chief Finance Officer approve the 2016/17 Statement of Accounts in consultation with the Chair of the Governance Committee and sign of the Letter of Representation. It was agreed that the AGS included within the SOA be updated to include any changes to the AGS as approved at the meeting. In the event that the Chief Finance Officer was of the opinion that the amendments were considered material, the Governance Committee would be reconvened to approve the new SOA.

Treasury Management Activity Mid-Year Review 2017-18

9. The Governance Committee received a report detailing the Treasury Management performance and compliance with Prudential Indicators in the financial year 2017/18 to the end of July. Compared to 2016/17, the main change had been the lower balance available to invest, which meant it had not been possible to invest for longer periods in order to achieve higher interest rates. There were no changes proposed to the current list of Financial Institutions and Investment Criteria. Officers were also not proposing changes to any prudential indicators at present.
10. It was reported that the average interest earned to the end of July 2017 was 0.18% which exceeded the target of 0/13%. The average interest earned had not exceeded the Capita suggested earnings rate of 0.25% for 2017/18. As in 2016/17, 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. Internal borrowing was the most effective use of the Council's cash balances while available, and so far in 2017/18 no new long term external borrowing had been taken.
11. Compared to the previous interest rates forecast, PWLB borrowing rates were slightly lower than expected. Gradual increases through to March quarter of 2020 were still forecast.
12. Members were informed that to continue using regulated products such as money market funds (MMF's), Chorley Council would have to opt-up to Professional Client status. It was estimated that the Council would fail the minimum financial instrument portfolio size test of £10m and therefore would not be able to use MMF's from January 2018.
13. There had been proposed changes to CIPFA's Treasury Management Code and Prudential Code. Overall, it was understood that the proposed changes would not affect Chorley Council and the existing capital expenditure plans. It was agreed that training would be provided to address these changes.
14. Following queries, Members were reassured that the use of Capita was of benefit to the Council. Members discussed other alternatives to PWLB borrowing; it was agreed that Officers would continue to assess the alternative options available for the council to gain the best value for money. The report was noted.

Annual Governance Statement – Amendment

15. The Monitoring Officer presented a report informing Members of the proposed amendments to the Annual Governance Statement (AGS) which had been suggested after consideration by

external audit. The Governance Committee previously approved the draft AGS which formed part of the council's Statement of Accounts.

16. The suggested amendments, as outlined in the report, did not affect the conclusions of the AGS but enhanced the document by providing additional supporting evidence which demonstrated the council's compliance with our governance framework. The AGS as drafted satisfied the requirements of the CIPFA SOLACE Framework, but the amendments would make it clearer how the Council discharged its obligations.
17. External audit made the following recommendations;
 - a) Greater information should be provided concerning the role of the Section 151 Officer and Head of Shared Assurance Service;
 - b) The Council's arrangements for counter fraud and anti-corruption should be given greater prominence;
 - c) More information should be provided as to the communication between the Council and external audit;
 - d) It should be made clear that the Governance Committee fulfils the functions of an Audit Committee;
 - e) Greater reference should be made to partnership working;
18. In other areas it was suggested to provide additional examples of compliance to give a fuller picture of the steps the Council take. It was advised that if approved, the amended AGS would be appended to the SOA. The report was noted.

Internal Audit Progress Report as at 28 July 2017

19. The Principal Auditor presented a report advising the Committee of work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period April to July 2017. The report also detailed the outcomes of the audits undertaken and gave an appraisal of the Internal Audit service's performance to date.
20. Members were informed that Internal Audit had been supporting the AGS by proactively providing advice and guidance. The report demonstrated that at this stage the Audit Plans were on target to be achieved and the majority of performance indicators had either been achieved or exceeded.
21. Since the implementation of the GRACE system in April 2017, Internal Audit had delivered training to 72 Chorley Council and Shared Services Officers. In addition, a further 10 external consultants who were assisting with the population of key project risk registers were also trained. Officers were in the process of delivering training to all members of the Senior Management Team (SMT) and developing the reporting arrangements at both corporate and service level.
22. It was agreed with SMT that Internal Audit would provide support with the development/enhancement of key risk registers including; the Corporate Risk Register, Corporate Plan Projects and Key Partnerships. Whilst these risk registers were at various stages of development, there were over 190 individual risks being continuously reviewed and monitored by the risk owners. The committee was assured that good progress was being made. Members were informed that controls had been put in place to mitigate a previous issue

regarding the CIL and had subsequently improved significantly in the past year. The report was noted.

RIPA Application Update

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

Recommendation

24. That the report be noted.