

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business transacted at the Governance Committee meeting held on 24 January 2018.

GOVERNANCE COMMITTEE – 24 JANUARY 2018

HCA Audit of Cotswold House Project

2. The Committee received a report of the Chief Finance Officer updating on the Homes and Communities Agency (HCA) audit of the Cotswold House project, as well as lessons learnt and future actions. This would include those actions for the presumed audit of the Primrose Gardens project.
3. The Council had received a £658k allocation from the HCA towards the £858k refurbishment and extension of Cotswold House, with work beginning in August 2016. The initial tender for work came in £200k under budget and in February 2017 the council received telephone confirmation that the project could carry out further works to the building using the grant allocation. This second phase of work was carried out in June 2017.
4. The Council received notification in June 2017 that it had been selected from a list of projects in the North West of England to be subject to an audit. Grant Thornton were appointed as the auditors. The audit findings gave 'No' answers to eight questions that had different severity ratings. Although the Council had the opportunity to respond, the likelihood is that the project will receive a red rating for its audit. It was however, pointed out that red grades are common for a Local Authority undergoing its first audit.
5. The Council will receive confirmation of the audit in May 2018 and it is proposed for it to be signed off by the Governance Committee. Although the assumed red rating will result in a guaranteed audit of the Primrose Gardens development in September 2018, there is no indication that it will result in funds being returned to the HCA. Lessons learned from the audit were provided within the report and details of improvements to be made for the audit of Primrose Gardens and Members were confident that officer had done everything possible to meet the audits requirements.

Implications of revised CIPFA Prudential Code and Treasury Management Code

6. The Chief Finance Officer submitted a report that updated members on CIPFA's changes to the treasury Management Code and the proposals from CDLG to change the Prudential Framework of Capital Finance. The increasing trend by councils to invest in assets for the purpose of income generation has resulted in potential risks to a Council's revenue budget that may not be currently picked up by current arrangements.
7. The new Code seeks to address this deficiency and introduces a new Capital Strategy report to be approved by full Council in 2019/20. This report will replace the treasury management treasury management and investment strategy report and will include, a policy statement for borrowing and investments, new treasury management practices for non-treasury investments and a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the authority's risk

exposure. The Governance Committee will approve the detail and ongoing monitoring of the Capital Strategy.

8. Proposed changes to the Local Authorities Investment Code will mean the provision of additional disclosures in the Capital Strategy report which the authority agrees to as long as they do not compromise commercial sensitivity or jeopardise accruing higher returns from the Council's investments. It was noted that the consultation alluded to a restriction on council's investing in assets purely for generating returns which would seemingly inhibit investment in assets outside the Council's boundaries.
9. Minimum Revenue Provision guidance changes will align the calculation more closely with the capital financing requirement, a change that Chorley Council fully supports. However, reducing the maximum useful economic life for assets (other than freehold land) to 40 years would affect this authority as it is currently financing some of its assets beyond that period. The report was noted.

Update of the Closure of accounts 2017/18

10. The Committee received a report of the Chief Finance Officer that updated on progress of the preparation for the closure of accounts 2017/18 as requested by the Committee in September 2017. The Accounts and Audit Regulations 2015 set out new deadlines for the publication of the 2017/18 statement of accounts. The draft accounts must be completed and signed by 31 May 2018 with the final audited accounts uploaded by July.
11. The 2016/17 closedown process made a lot of progress in closing the accounts by 31 May; however, the draft accounts were only submitted on 15 Jun 2017. Building on lessons learnt, preparation of the 2017/18 closure is already underway with some tasks like the reconciling of the debtor system to the financial ledger already underway. A project plan and closure timetable has been created with tasks allocated across the whole of the finance team.
12. The External Auditors are also undertaking regular meetings with the Finance Team and Interim work has commenced earlier so that it is finished before closedown. Both the External Auditor and Chorley's Finance team were confident that they would meet the closedown deadline for 2017/18. The report was noted.

Internal Audit Interim Report as at 29 December 2017

13. The Head of Shared Assurance Services presented a report advising of the work undertaken on the Internal Audit Plans for Chorley Council and Shared Services for the period August to December 2017. The report also made comment on any outcomes and gave an appraisal of the Internal Audit services performance to date.

All Audit Plans were on target to be achieved, with the majority of performance indicators having either achieved or exceeded.

14. A snapshot of the overall progress made in relation to the 2017/18 Internal Audit Plans was appended to the report along with an indication on which audits had been completed and their assurance rating, those that were in progress and those yet to start. Details of the planned time and actual time taken were also provided.

15. The main pieces of work undertaken were highlighted, together with any control issues identified, where applicable. The Committee was pleased to note that all ratings were adequate or above.
16. The implementation of GRACE had been continuing and over 92 Chorley Council, Shared Services officers and external consultants had now received training with 350 risks at both corporate and system level reports being routinely produced. Members asked if the comments column on the performance table could be amended to better reflect the actual status at that point in time

Chorley annual Audit Letter 2016/17

17. The External Auditor presented their Annual Audit Letter that summarising the key findings arising from their work carried out at the Council for the year ended 31 March 2017. The letter provided the Committee with results of their work to the Council and its external stakeholder's and highlighted any issues that the authority. The External Auditors had reported their detailed findings to Committee in September 17 and had given an unqualified opinion on the Council's financial statements. The report was noted.

Chorley Certification Letter 2016/17

18. The External Auditors were required to certify the Housing Benefit subsidy claim for 2016/17 relating to expenditure of £5.3 million submitted by Chorley Council. Details of the claim certified was appended to the report and confirmed that only minor issues had been highlighted for attention. Both the External Auditor and the Chief Finance Officer commended the excellent work of the Council's Benefit's team. The report was noted.

Chorley Governance Committee Update Report

19. 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 the Committee may wish to consider.
20. Several points were highlighted within the report, that included, the provision of a range of support workshops and network events available for both officers and members to attend and articles relating to 'Meeting the deadlines'; 'Commercial Healthcheck: Commercial investments and governance' and 'Setting up a successful social enterprise'. Bearing in mind, the fact that local authorities are changing their approach to commercialisation; it was considered appropriate to bring a report to a future meeting of the Committee that would summarise some of the issues raised in this report. The report was noted.

Annual Governance Statement – Progress on Management Actions

21. The Monitoring Officer presented a report advising members of the progress made against the recommendations in the Annual Governance Statement. The Annual Governance Statement had identified that overall the Council complied with its governance framework but advised of four thematic areas for improvement along with five management actions, the details of which were contained within the report.
22. All but one of the management actions had been completed. A review and update of all Health and Safety risks assessments under the Risk Management theme would continue into 2018/19.

23. As a starting point as an area highlighted to have the potential of most risk, work was undertaken with the team leaders in Streetscene to assess current risk assessments. This review highlighted a number of inconsistencies. Group learning was undertaken to identify areas of best practice and teams were encouraged to develop new risk assessments against a more standardised template.
24. Training was highlighted as a key factor and there was an apparent need for change in the culture whereby a risk assessment was not just seen as a document that was reviewed every 6 or 12 months. The Health and Safety Advisor has embarked on a new Health and Safety approach where risks are to be assessed every time an activity is undertaken with any learning being recorded on the Risk Assessment. Communication has been encouraged for all staff to speak up if they identify a risk or witness poor practice.
25. The approach of staff to Health and Safety is now more productive and by ensuring the teams take ownership of the risk assessments personally not only have the documents improved but staff approaches to risk have improved too. A programme has been set up which will be implemented over the course of the next two years which will realise the same benefits of embedding this approach across all areas of the Council. Members discussed the importance of health and safety for all staff and asked if information on accidents (including near misses) could be provided for all Members. The report was noted.

GOVERNANCE COMMITTEE – 21 MARCH 2018

External Audit Plan 2017/18

26. The External Auditors, Grant Thornton, gave an overview of the planned scope and timing of the audit for the year ending 31 March 2018, allowing Members to understand the key requirements in bringing the plan together and the risks and consequences of the work being carried out.
27. The audit would focus on risks and the Committee's attention was drawn to the following significant risks that required specific audit consideration and procedures to address the likelihood of a material financial statement error:
 - Management override controls
 - Valuation of pension fund net liability
 - Valuation of property, plant and equipment (PPE)
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Their risk assessment regarding the Council arrangements to secure value for money had identified the following VFM may be a significant risk:

 - Financial management and the Council's medium term financial planning arrangements.

Interim work had started in January 2018 and was still underway with final visits scheduled to take place in June and July. The report was noted.

Audit Progress and Sector Update Report

28. 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 the Committee may wish to consider.

29. Several points were highlighted within the report, which included, the Financial Statements Audit, Value for Money work, Changes to the prudential framework of capital finance, The Prudential Code and Treasury Management Code, Certification of claims and returns and Supply Change Insights. Regular meetings with the Finance team and Chief Executive to discuss emerging issues were also taking place on a regular basis. The report was noted.

Internal Audit Plan 2018-19 & Internal Audit Charter

30. The Head of Shared Assurance Services submitted a report that reminded Members 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 Committee's approval of the 2018/19 Internal Audit Plan.
31. The 2018/19 Internal Audit Plan had been compiled in consultation with Directors following detailed risk assessments. The Audit Plan contained the programme of reviews for the next financial year and was appended to the report. The Plan is based on a resource of 340 audit days for Chorley Council and 140 days for Shared Services and comprised of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council).
32. The Committee were also informed that the Internal audit Charter had been reviewed against the requirements of the new UK Public Sector Internal Audit Standards (PSIAS) in readiness for its Peer Review in April 2018. The Internal Audit Plan and Audit Charter for signing by the Chair of Governance were approved.

Risk Management Framework

33. The Head of Shared Assurance Services presented a report that informed of progress made in embedding risk management disciplines throughout the Council against the Council's Risk Management Framework. The report also updated on recent improvements that had been made and demonstrated how the Council is ensuring that the management of risk remains at the centre of its day-to-day work.
34. During 2017/18 the Shared Assurance Services procured and implemented the GRACE (Governance, Risk Assessment and Control Evaluation) system for use within both Chorley and South Ribble Councils. Its main purpose was to facilitate a modern risk based approach to internal auditing by engaging service departments in self-assessment of their own process/system risks.
35. Following extensive officer training, the scope of the GRACE system has been expanded to enable completion of risk registers at all levels within each organisation including the Strategic Risk Register, Service Risk Registers and those in relation to key projects, procurements and partnerships.
36. Benefits of using GRACE included a consistent approach to risk assessment across the Council, an increased focus for staff and ownership of risk within the teams. In response to members concerns about local authorities having to be more entrepreneurial in their attempts to develop sustainable income streams, proactively encouraged by Central Government. The Chief Executive explained that the Director (Governance and Policy) was currently undertaking a detailed piece of work that would outline the Council's future approach to commercialism. The report was noted.

RIPA Applications Update

37. The Monitoring Officer reports at both meetings that there had been no RIPA applications made.

Recommendation

38. To note the report.

COUNCILLOR PAUL LEADBETTER
CHAIR OF GOVERNANCE COMMITTEE

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