

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business transacted at the Governance Committee meetings held on 23 January 2019 and 20 March 2019.

GOVERNANCE COMMITTEE – 23 JANUARY 2019

Chorley Governance Committee Update Report

2. The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities.
3. Planning had started for the 2018/19 financial statements audit and Grant Thornton were due to commence their interim audit in February 2019. The Value for Money assessment, which would be based on the same criteria as last year, would commence later in the year with a Value for Money conclusion being provided by the deadline of 31 July 2019. The Committee discussed the impact of Brexit and although Grant Thornton were unsure as to whether this would pose a major issue at present, they proposed that planning would be put in place to monitor this.
4. Several additional points were highlighted within the report that included certifying the Council's annual Housing Benefit Subsidy claim, regular meetings with the Chief Executive and the Finance Team, and the provision of accountant's workshops to ensure that councils were up to date with the external auditors' way of thinking.
5. Members recognized potential differences in ways of thinking and discussed the effect this could have on the council's ongoing strategic projects. The Committee were advised that how an asset was determined was dependent on how individuals treated it. Members were reassured that the risk factors had been considered and investments would be monitored. Members noted the report.

Chorley Certification Letter 2017/18

6. The External Auditors were required to certify the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of over £24 million. Details of the claim certified were appended to the report and confirmed that only two minor issues had been highlighted for attention. Overall, Grant Thornton advised that the report was very positive.
7. Detailed testing had taken place in September – November 2018 which revealed some minor issues. It was worthy to note that the second of these minor issues involved an error on inputting a manual adjustment. The amount was entered incorrectly by 4p. Additional testing subsequently took place which revealed that no other errors affected the subsidy.
8. Following the publication of the Certification letter, Chorley Council responded to Grant Thornton and requested that the certification letter be amended. It was advised that the council declined to complete the workbooks, as requested as part of the further testing, as it was the council's view that the evidence required could be provided without completing the workbooks. The calculation carried out by the council's software could be relied on to be accurate and it was not felt necessary to replicate this calculation in a workbook in order to prove accuracy. Grant Thornton agreed to this approach by email and also agreed that the completion of the workbooks offered no value in this instance.
9. A qualification letter was agreed with the Council setting out the original errors, and this was submitted to the DWP with the certified claim. Following reassurances from the council as to the action taken and quality control measures in place, the DWP confirmed that they did not

require the council to carry out any further work with the two errors identified by Grant Thornton. The committee were happy with the outcome and were reassured by the thorough checks undertaken. Members noted the report.

Interim Audit Progress Report as at 31 December 2018.

10. The interim Head of Shared Assurance Services presented a report that advised members of the Committee of the work undertaken on the Internal Audit Plans for Chorley Council and Shared Services for the period 1 April 2018 to 31 December 2018.
11. Progress had been made against the Audit Plan, however, there had been ongoing resource issues and whilst these had subsequently been resolved, the delivery of the audit plan had been impacted. The plan indicated a number of pieces of work that were at Draft Report stage and would be completed and issues by the end of January 2019.
12. The main pieces of work undertaken included, General Data Protection Regulation (GDPR), service risk registers, the National Fraud Initiative (NFI) and Treasury Management. It was advised that the team had 132 days until the last weekend of March, with 137 days of work to fulfil and therefore one or two pieces of work could run over the deadline. Reassurances were given that to help address this, the key risks had been prioritised with other projects reduced to help balance the days and staff from LCC would be helping with a project of work in February/March.
13. Following concerns, Members were reassured that the Interim Head of Shared Assurance Services was meeting with staff on a weekly basis to closely monitor the audit process and updating Gary Hall every fortnight to help address any potential issues as soon as possible. Members noted the report.

Government Requirements of the Capital Strategy Report

14. The Chief Executive inform the Committee of the new requirement in 2019 for councils to submit a Capital Strategy report alongside the budget setting papers which would be going to Full Council on 26 February 2019.
15. The Capital Strategy Report aimed to introduce a more strategic report to provide an overview to decision makers of the investment and borrowing risk position of the authority and the governance arrangements in place to manage those risks. This was a reaction to the increasing number of councils investing in commercial assets to generate revenue and bridge budget deficits.
16. It was advised that no Government guidance on contents had been produced at the time of the meeting and it was therefore up to the individual local authorities to determine. The report set out some of the things intended to be included. In summary these included; capital expenditure, treasury management, commercial activity and knowledge and skills.
17. As the report covered treasury management activity, it was possible to combine the Treasury Management Strategy into the Capital Strategy This would be the decision of the council however; Officers proposed that the existing Treasury Management Strategy and the Capital Strategy remain separate.
18. Following queries, Members were reassured that implementation of the strategy did not seek to deter local authorities but to ensure that proper governance was in place. The Committee agreed that the intended information be included and recognized that this would be an evolving document with best practice shared amongst councils in the future.

19. Members noted the report, noted where the council could meet with requirements of the guidance and where further work would be required as well as providing input into what should be included in the Capital Strategy report.

Standards Report

20. The Monitoring Officer presented a report updating members of the Governance Committee on complaints that had been received on Standards Matters in the calendar year 2018.
21. One matter had been referred for investigation, one was referred for local resolution, one was viewed as tit for tat, and one did not raise behavior that took place when the individual was acting as a councillor. Of the complaints received, one related to a borough councillor with the remaining complaints being brought against parish councillors. Further details of these matters had been summarised in the report.
22. As such, the low number of complaints received, and the nature of the matters raised did not demonstrate a significant issue with the behaviours of parish or local councillors within the borough.
23. Code of Conduct training had been provided to new Members this year. No training sessions had been provided to parishes on the Code of Conduct although the Monitoring Officer remained committed to providing it on request. It was intended to offer both Borough and Parish Councillor Training in the coming year. Members of the Committee commended the low level of complaints and highly recommended that both Borough and Parish/Town Councillors attend the training. Members noted the report.

GDPR; Audit Plan

24. The Data Protection Officer presented a report advising members of the Governance Committee on the monitoring arrangements to be implemented in relation to the General Data Protection Regulations.
25. A data breach under General Data Protection Regulations posed a risk to the council. The Council was therefore looking to mitigate this risk by demonstrating a comprehensive programme of monitoring compliance with the requirements of the legislation. It was proposed that the following works be undertaken to ensure continued compliance; quality assurance checks, compliance audits, performance indicators, complaints monitoring and review and training.
26. A risk register had been updated to reflect non-compliance during the implementation or the regime and would be updated to reflect continuing risks. Members were happy with the report and programme in place to monitor compliance and it was advised that an update report would be brought back to the Committee in 12 months. Members noted the report.

RIPA Application Update

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

Work Programme

28. The Committee considered the work programme which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

GOVERNANCE COMMITTEE – 20 MARCH 2019

External Audit Plan 2018/19

29. The External Auditors, Grant Thornton, gave an overview of the planned scope and timing of the audit year ending 31 March 2019, allowing Members to understand the key requirements in bringing the plan together and the risks and consequences of the work being carried out.
30. 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 over-ride of controls
 - Valuation of the pension fund net liability
 - Valuation of land and buildings
31. Their risk assessment regarding the Council arrangements to secure Value for Money (VfM) had identified the following risks for further assessment:
 - Financial sustainability, including medium term financial planning and delivering the capital programme
 - Establishment of the housing company
32. Grant Thornton's interim visit took place in February/March and work was underway with final visits scheduled to take place in June and July.
33. The Committee discussed the short-term risks facing the council which included Brexit and the closure of accounts. Members held concerns about the impact that Brexit would have on pensions. Officers clarified that the valuation in accounts was the responsibility of the Pension Authority. Both Chorley Council and Grant Thornton were required to form a view on the robustness of the Pension Fund and reassurances were given that the external auditors had received assurances from the Pension Fund auditor. Members noted the report.

Audit Report and Sector Update

34. 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 challenging questions in relation to these issues that the Committee may wish to consider.
35. Progress had been made as expected. Several points were highlighted within the report including the Financial Statements Audit which was progressing efficiently, Value for Money work which would see the VfM conclusion delivered in July 2019, and the certification of the housing benefits subsidy claim to be delivered by 30 November 2019.
36. Meetings with the council's finance team were taking place on a monthly basis as well as regular meetings with the Chief Executive to discuss strategic issues and audit progress. It was anticipated that these meetings would become more frequent as the closure of accounts deadline approached.
37. The sector update included Brexit concerns and work to ensure that councils were identifying key Brexit scenarios and using these to frame robust local contingency plans. Members noted the report.

Internal Audit Plan 2019/20

38. The Interim Head of Shared Assurance Services submitted a report that sought approval of the 2019/20 Internal Audit Plan for Chorley and Shared Services. This had been compiled by undertaking a detailed risk assessment which was appended to the report.
39. The plan was based on a resource of 340 days for Chorley Council and 120 days for Shared Services and comprised of a mix of existing in-house resources and bought-in provision from Lancashire County Council and Merseyside Internal Audit Agency (IT Audit).
40. Members were reassured that the core work continued to be delivered. Following approval of the 2019/20 Internal Audit Plan, any additions or changes could be made to the plan if required.
41. Members queried why the elections had been given a high-risk rating. Officers advised that this was due to financial, reputational and legal impacts as well as Brexit uncertainty which meant that the council could have to take part in European Elections. Reassurances were given that plans were in place to mitigate any risks. Members commended the exceptional work carried out by the council's Elections team. Members agreed that the 2019/20 Internal Audit Plan be approved.

Internal Audit Plan 2018/19 Quarter 4 Progress as at February 2019

42. The Interim Head of Shared Assurance Services submitted a report that advised Members of the committee of the work undertaken for Chorley Council and Shared Services for the period 1 April 2018 to 1 March 2019 and work to be completed by 31 March 2019. The appended report highlighted the overall progress including completed works, work in progress and work yet to start.
43. 101 days and 25.9 days, respectively, had been and would be completed by 31 March however, two pieces of work; consisting of ICT Reviews and Performance Management Information would be carried forward to commence in 2019/20. Further to this, the Commercial Properties audit would commence in March 2019 and would run over into 2019/20.
44. During January to March, audit work had been undertaken on the council's combined enforcement services. A report had been recently issued and it was agreed that this could be made available to Councillors. Members were also advised that since the time of writing the committee report, an ethical culture review had been undertaken. Members noted the report.

Local Government Ethical Standards: A Review by the Committee on Standards in Public Life

45. Members of the Governance Committee received an update on the Local Government Ethical Standards report prepared by the Committee on Standards in Public Life. Since the introduction of the local code of conduct through the Localism Act 2011 there had been no formal review of the operation of local codes or investigatory processes. The Committee for Standards in Public Life had therefore undertaken a review on the effectiveness of the current arrangements.
46. Following this review, the Committee for Standards in Public Life created recommendations for improvements both to the form of the codes themselves but also in relation to their

operation and investigation into complaints. The Committee made a list of 26 formal recommendations, which included a model code and a move back to more prescriptive sanctions. These formal recommendations would not be easily implemented directly by the Council and some would require changes to legislation.

47. The Committee also made a series of 12 Best Practice Recommendations. These were capable of being adopted by the Council without any further intervention from third parties. Members were made aware that it was the intention to assess authorities against the implementation of these best practice recommendations.
48. Overall, the best practice recommendations were rational, supportive and sought to help Members. Members welcomed the requirement that the Code of Conduct would be reviewed annually. Members were reassured that some of the recommendations were already implemented at Chorley Council and the council was broadly compliant with the best practice recommendations.
49. It was proposed that a Working Group derived from the Governance Committee was to be formed to consider these best practice recommendations in detail. Recommendations would then be made to the Governance Committee on the adoption and incorporation of them into the Code of Conduct or council procedures as necessary. The membership of the Working Group was confirmed as follows; Councillors Yvonne Hargreaves, Kim Snape and Steve Holgate.
50. Cllr Holgate advised that LCC had recently undertaken a scrutiny review and published a report titled 'Does Local Government Work for Women?' It was suggested that it could be of benefit for Chorley Council to have sight this.
51. Members queried the involvement of Parish and Town Councils. Officers advised that the report would be presented at the Chorley Liaison meeting. It was suggested that it was premature to invite the Parish Councils to the standards committee as this would require a change in law. Members noted the formal recommendations and agreed that a Working Group be formed.

Process for authorising Draft Statement of Accounts 2018/19 for release

52. Michael Jackson, Principal Financial Accountant, advised the Committee of a minor change to the process for authorising the Draft Statement of Accounts 2018/19 (SOA) for release. Members were informed that the Senior Finance Officer was unavailable the week before signing the statement and therefore, the Deputy S151 Officer would sign the SOA before being signed and approved by the External Auditors.
53. As a result, the Governance Committee meeting would be taking place a week later than usual, on Wednesday 5 June, which meant that Members of the Committee would not have sight of the SOA until a few days after being signed. The Committee were reassured that Officers had consulted with the council's constitution, legislation, and CIPFA guidance. All advised that this was acceptable practice as the council was not required by legislation to consult with Members on the SOA before it was signed. Members noted the report.

RIPA Application Update

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

Governance Committee Work Programme 2019/20

55. The Committee considered the work programme which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Recommendation

56. To note the report.

COUNCILLOR PAUL LEADBETTER
CHAIR OF GOVERNANCE COMMITTEE

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