

SOUTH RIBBLE BOROUGH COUNCIL**Governance Committee**

Meeting held at 6.00 p.m. on Monday, 29th April, 2013 in Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH

Present:-

Councillor O'Hare (in the chair), W Bennett, Mrs Mort and J Patten.

In Attendance:-

Garry Barclay (Head of Shared Assurance Services), Carol Eddleston (Democratic Services Officer) and Dawn Highton (Principal Auditor).

Representatives from the Council's external auditors, Grant Thornton - Fiona Blatcher and Gareth Winstanley.

Officers:-

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Other Members:-

Councillors Hamman, P Smith and S Robinson

Minute No.	Description/Resolution
39	<p>Apologies for Absence</p> <p>An apology for absence was submitted on behalf of Councillor Foster.</p>
40	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>
41	<p>Minutes of Previous Meetings</p> <p>The committee thanked the Head of Shared Financial Services for the comprehensive briefing note on the tender evaluation and approval process used for the joint procurement by Chorley and South Ribble Borough Councils for banking services which had been circulated prior to the meeting.</p> <p>RESOLVED (unanimously) that: The minutes of the meeting held on 4 March 2013 be approved as a correct record and signed by the chairman.</p>
42	<p>External Audit Opinion Plan 2012/13</p> <p>Mrs Blatcher of Grant Thornton presented the report outlining the external auditors' understanding of the challenges and opportunities facing the Council; the impact of key developments in the sector and national audit requirements; the audit approach based on risks identified; work planned to facilitate the Value for Money conclusion; timescales for the audit and the results of interim audit work currently underway which had not so far identified any issues requiring the committee's attention.</p> <p>Members welcomed the clarity of the report and continuity of audit staff for the time being at least and acknowledged that the accuracy of financial forecasting would become ever more</p>

	<p>important given the ongoing economic situation. Mrs Blatcher confirmed that robust financial forecasting was something that the external auditors looked for, particularly in terms of impact on decision making. Interest and investment income was not tested as the inherent risk of it being materially misstated was considered to be low, although this might be reconsidered if the Council's investment profile were to change.</p> <p>At the time of the Icelandic banking crisis external audit work on assessing Value for Money would likely have included general consideration of local authorities' treasury management strategies. Since the crisis the external auditors had looked annually at whether the council was treating the impairment correctly.</p> <p>The Cabinet Member for Finance and Resources, Councillor Robinson, pointed out that, at the time of the 2007 crisis, rates of return from the Icelandic banks were not substantially different from those of other institutions and there had been nothing to suggest that there was any inherent risk associated with Icelandic banks. As a result, external auditors would have had no reason to look into local authorities' investments in those banks.</p> <p>Mrs Blatcher said that the external auditors received the council's treasury management updates and if they observed any significant change from the current cautious approach they would question the basis for the change and seek assurance that any associated risks were being fully explained to this committee. The definition of materiality was based on figures in the previous year's accounts and was in the region of £1M.</p> <p>The significant risks identified (fraudulent transactions and management over-ride of controls) were generic to all local authorities and no cases of these kinds had been identified within this council. A lot of the testing was around unusual trends around journals, in particular in terms of timing, e.g. late at night or at weekends.</p> <p>In terms of the Value for Money conclusion in times of tighter budgets, the external auditors would be looking at savings proposals and plans in the medium term financial strategy.</p> <p>Interim work had started early in the new calendar year and systems and controls were just as expected. Discussions had already been held about the accounts and working paper requirements. The report as presented to the committee was essentially a Grant Thornton template further tailored to this authority's circumstances.</p> <p>Looking ahead to when welfare reform had been fully implemented, it was quite possible that the risk associated with debtors would rise, with collection becoming an issue going forward.</p>
43	<p>External Audit - Certification Work Report 2011/12</p> <p>Mr Winstanley of Grant Thornton presented the report summarising the external auditors' overall assessment of the Council's management arrangements for the certification of grant claims process and drawing attention to significant matters in relation to individual claims. All claims had been submitted by the Council on time and certified within the relevant timescales. One amendment had been made to the national non-domestic rates return increasing the amount payable by the Council to the national pool as the 2011/12 payment had been inadvertently omitted from the return.</p>
44	<p>Internal Audit Plan 2013/14</p> <p>The Principal Auditor presented the report explaining the Internal Audit work programme for the 2013/14 financial year which had been determined following a detailed risk assessment, including consideration of changes in legislation and key personnel, and consultation with the Senior Management Team.</p> <p>A review of compliance with the governance arrangements of the My Neighbourhood Forums had been allocated 20 days because of the large amounts of money being used to fund some of their projects. The allocation of 10 days to the Community Infrastructure Levy was not for a</p>

	<p>system review but for Internal Audit staff to participate in the project team which was managing the implementation of the CIL. A system review would be undertaken further down the line. The allocation of 20 days to Unplanned Reviews was just an estimate at any one time of what might be required. The allocation of 20 days to the National Fraud Initiative was for the matching of Council Tax and Electoral Roll data.</p> <p>Allocation of audit staff to specific areas of work was decided upon on a case by case basis, sometimes based on an individual's level of expertise and knowledge in a particular area, or sometimes based on a 'fresh pair of eyes' approach. As things stood the service was appropriately resourced to achieve the audit plan.</p> <p>The report was also proposing some changes to the Key Performance Indicators for the Internal Audit service with a view to reporting annually, rather than quarterly, on the percentage of management actions implemented and management actions implemented on time. These changes were being proposed because implementation was not a measure of the performance of the Internal Audit Service and it was estimated that reducing the frequency of reporting on these indicators would save up to one week per annum in officer time.</p> <p>A benchmarking exercise earlier in the year had found that very few other local authorities in the county had Key Performance Indicators relating to the percentage of management actions implemented and management actions implemented on time precisely for the reasons mentioned above. Until the start of this calendar year performance against these KPIs had been reported to the Shared Services Joint Committee but its members had decided that they no longer wished to see the figures as they were not indicative of the performance of the Internal Audit Service.</p> <p>The Head of Shared Assurance Services reminded members that managers were involved in agreeing management actions and the timelines for their implementation. If they failed to implement them on time they would have an opportunity to agree a revised date. If the revised date was not met, the matter would be reported to the Chief Executive in the first instance and then to this committee. Anything outstanding at year end would be carried forward to the following year and members were reassured that nothing would ever disappear from the system.</p> <p>Whilst the chairman would have preferred reporting on the KPIs to remain unchanged he was mindful that the consensus of the committee was to move to annual reporting.</p> <p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> 1) the Internal Audit Plan be approved, and 2) the revised changes to Internal Audit Key Performance Indicators be approved.
45	<p>Forward Plan</p> <p>The committee agreed a number of additions to the draft forward plan for the 2013/14 municipal year.</p>
46	<p>Concluding Remarks</p> <p>Councillor O'Hare closed the meeting by saying that this would be his last Governance Committee meeting. He had thoroughly enjoyed the work of the committee and his role as chairman. He particularly appreciated the committee's apolitical nature and the close co-operation between members and officers.</p>

The meeting closed at 7.07pm.

..... Chairman