

Audit and Governance Committee

Agenda

Date: Wednesday, 17th November, 2010
Time: 10.00 am
Venue: Committee Suite 2/3 - Westfields, Middlewich Road, Sandbach, CW11 1HZ

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any personal and/or prejudicial interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos. 11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to its work.

Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. There is no requirement to give notice of the intention to make use of public speaking provision; however, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public should provide 3 clear working days' notice, in writing, if they wish to ask a question at the meeting, in order for an informed answer to be given.

For requests for further information

Contact: Carol Jones

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4. **Minutes of Previous Meeting** (Pages 1 - 6)

To approve as a correct record the Minutes of the Meeting held on 30 September 2010.

5. **Final Account Memorandum** (Pages 7 - 24)

The Final Accounts Memorandum relating to the audit of the accounts for 2009-2010 is set out in the appendix to the report of the Borough Treasurer and Head of Assets.

Representatives from the Audit Commission will be in attendance.

6. **Code of Corporate Governance** (Pages 25 - 46)

The joint report of the Head of Internal Audit and Compliance and the Borough Solicitor seeks approval for the Code of Corporate Governance which has been revised to take account of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s "*Application Note to Delivering Good Governance in Local Government: a Framework*".

The Committee is asked to adopt the Code of Corporate Governance as a basis for self-assessment, continuous improvement and as a contributor to the production of the Annual Governance Statement.

7. **Annual Governance Statement 2010-2011** (Pages 47 - 52)

The joint report of the Head of Internal Audit and Compliance and the Borough Solicitor recommends a process for the completion of the annual Governance Statement for 2010-11 in accordance with best practice.

8. **Risk Management Update Report - Key Corporate Risks** (Pages 53 - 58)

The report of the Head of Policy and Performance provides an update on the risk management framework of the Council and its Key Corporate Risks.

The Committee is asked to consider and comment on the Key Corporate Risks and the approach outlined in the report.

9. **Internal Audit - Terms of Reference** (Pages 59 - 64)

The report of the Head of Internal Audit and Compliance informs the Committee of the content of the Terms of Reference for the Internal Audit function at Cheshire East and asks Members to note that they will be amended following the publication of CIPFA's document "*The Role of the Head of Internal Audit in Public Service Organisations*".

10. **Internal Audit Strategy** (Pages 65 - 72)

The report of the Head of Internal Audit and Compliance informs the Committee of the content of the Internal Audit Strategy and asks Members to note that it will be amended following the publication of CIPFA's document "*The Role of the Head of Internal Audit in Public Service Organisations*".

11. **Whistleblowing Policy** (Pages 73 - 90)

The report of the Head of Internal Audit and Compliance invites the Committee to consider and endorse, in principle, the proposed changes to the Council's Whistleblowing Protocol and to note that there will need to be consultation with unions before the proposed amendments can be finalised.

12. **Review of Corporate Compliments, Suggestions and Complaints Procedures** (Pages 91 - 94)

The report of the Customer Relations Manager provides a summary of performance during the first and second quarters against the defined Corporate Compliments, Suggestions and Complaints policy and procedure. It also summarises the performance of complaints received under the Adult Social Care Complaints Procedures and the Children's Social Care Complaints Procedures.

The report is presented to this Committee to enable Members to be assured that arrangements in place are sufficiently robust.

13. **Work Plan** (Pages 95 - 104)

The report of the Head of Internal Audit and Compliance presents an updated Work Plan for the Committee's consideration.

PART 2 – THERE ARE NO PART 2 ITEMS

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 30th September, 2010 at Committee Suite 2/3 - Westfields,
Middlewich Road, Sandbach, CW11 1HZ

PRESENT

Councillor M J Simon (Chairman)
Councillor A Kolker (Vice-Chairman)

Councillors S Conquest, B H Dykes, J Hammond, M Hardy, A Kolker and
M J Weatherill

NON-COMMITTEE MEMBERS IN ATTENDANCE

Councillor F Keegan	Portfolio Holder for Resources
Councillor D Brown	Portfolio Holder for Performance and Capacity

IN ATTENDANCE

Lisa Quinn	Borough Treasurer and Head of Assets
Vivienne Quayle	Head of Policy and Performance
Christine Mann	Finance Manager
Joanne Wilcox	Corporate Finance Lead
Paul Goodwin	Places Financial Lead
Dominic Oakeshott	People Financial Lead
Jon Robinson	Audit Manager
Karen Murray	Audit Commission
Andrea Castling	Audit Commission
Carol Jones	Democratic Services Officer

APOLOGIES

Councillors D Beckford and J Narraway

9 DECLARATIONS OF INTEREST

No declarations of interest were made.

10 PUBLIC SPEAKING TIME/OPEN SESSION

In accordance with Procedure Rules Nos. 11 and 35, a total period of 10 minutes was allocated for members of the public to address the Committee on any matter relevant to its work, or to ask questions.

In the absence of members of the public, the Committee proceeded to its next item of business.

11 MINUTES OF PREVIOUS MEETING

RESOLVED: That the minutes of the meeting held on 29 June 2010 be approved as a correct record.

12 WORK PROGRAMME - 2010-2011

The Committee considered a report which presented a draft work plan for the remainder of 2010-2011. The plan had been drawn up in accordance with CIPFA Better Governance Forum and was designed to enable Members to gain an understanding of the Committee's responsibilities and to discharge their duties.

Members were invited to contact Officers outside the meeting with suggestions for additional training issues which could be added to the plan.

RESOLVED:

That the Work Plan be noted and submitted to the Committee, periodically, for development and approval.

13 INTERNAL AUDIT PLAN UPDATE

The Code of Practice for Internal Audit in Local Government stated that in addition to the annual report, the Head of Internal Audit and Compliance *"should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report."*

The report submitted updated Members on progress against the Internal Audit Plan 2010-2011, outlined revisions to the plan and summarised the work undertaken during the period April to August 2010.

Members were able to ask questions and these were responded to by Officers, as appropriate.

- Backlog of re-assessment for existing social care clients.

Officers undertook to ascertain when the backlog would be cleared and report to Members.

- Use of purchase cards within the Authority

The BBC had reported on this, following a Freedom of Information request. Although there was no suggestion of misuse, the Chief Executive and Leader of the Council had requested an audit review. This was underway and Officers would report on this at the next meeting. Internal Audit had concluded that there had

been no inappropriate use but had made some system improvement recommendations.

- It was emphasised that the system of internal control was adequate and that action was taken to ensure that any shortcomings were rectified promptly. Follow-up reports would be submitted to the Committee periodically.
- Oracle business system: This was being upgraded with a “go-live” date of January 2011. The scheme was on track as far as the project plan was concerned; however, this was a high risk area and work was underway to enable the Authority to be satisfied that the new system would work satisfactorily.
- It was noted that during the review, the Authority’s preparedness for Internal Financial Reporting Standards (IFRS) had been assessed. There was an IFRS implementation plan in place, but there had been some slippage owing to closure of accounts, staff shortages and delays in the provision of information. This was a significant area of work and the Committee would receive regular updates.

RESOLVED:

1. That the issues identified be noted; and
2. That the approach to achieving adequate audit coverage in the remainder of 2010-2011 be endorsed

14 REVIEW OF INTERNAL AUDIT EFFECTIVENESS

The report of the Head of Internal Audit and Compliance provided the Committee with the Audit Commission’s review of Internal Audit, including the management response.

The Committee was asked to consider the contents of the External Auditor’s report and seek assurance that any issues which significantly fell short of the expected standards, had been, or were being addressed appropriately.

Audit Commission representatives were in attendance and commended the Audit Section on a successful year, having met seven of the eleven CIPFA standards, and partially met the remaining four.

Arising out of discussion, it was acknowledged that there was a need for Member training on implementation of performance management. A new system had recently been procured and there would be regular updates to the Committee.

RESOLVED:

That

1. the Audit Commission's report on the Internal Audit be received;
2. it be noted that the review identified that Internal Audit had met seven of the eleven CIPFA standards during the year and partially met the remaining four. (The review also concluded that "good progress was made in developing the Council's Internal Audit arrangements during the year" and "the Internal Audit team was well placed to act as an assurance function, delivering an independent and objective opinion on the Council's control environment and assurance on internal controls through its annual audit plan".);
3. Management's response to the auditor's findings and recommendations contained within Appendix 1 of the Audit Commission's report be noted; and
4. it be noted that the Committee will, periodically, receive update reports on the action that is being taken to address the issues identified by the Audit Commission.

15 2009-2010 ANNUAL GOVERNANCE REPORT

The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, required the Financial Statement of Accounts to be published by 30 September 2010.

The Committee considered the Annual Governance Report which summarised the findings from the 2009/2010 Audit and identified the key issues which had been considered by the Audit Commission before issuing its opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

Councillor F Keegan, Portfolio Holder for Resources, expressed his thanks to all staff for their contribution, acknowledging the difficulties encountered during the previous financial year.

RESOLVED

That

1. the Annual Governance Report for 2009/2010 for Cheshire East Borough Council be received; and
2. the final Statement of Accounts for 2009/2010 be approved and the Chairman of the Committee to sign the letter of representation for Cheshire East Borough Council.

16 DATE OF NEXT MEETING

It was noted that the next meeting was to be held on 17 November 2010 in Committee Suite 1, 2 and 3, Westfields, Sandbach. Arrangements had been made for a risk management training session to be delivered at the conclusion of the meeting, at approximately 12 noon.

Alternative arrangements for risk management training would be made for those Members who were unable to attend.

The meeting commenced at 10.00 am and concluded at 10.55 am

Councillor M J Simon

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 17th November 2010
Report of: Borough Treasurer & Head of Assets
Subject/Title: Final Accounts Memorandum

1.0 Report Summary

- 1.1 The Final Accounts Memorandum relating to the audit of the accounts for 2009-10 is set out in Appendix A.

2.0 Recommendation

- 2.1 That members receive and comment on the Final Accounts Memorandum for 2009-10.
- 2.2 That members note the audit fee as set out in paragraphs 8 and 9 of the Memorandum.

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

- 6.1 None.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 As covered in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 None.

9.0 Risk Management

- 9.1 The Final Accounts Memorandum has been prepared to meet the requirements set out in the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

10.0 Background and Options

- 10.1 The Audit Commission presented their findings from the audit and issued an unqualified opinion to the Audit and Governance Committee on 30th September 2010.
- 10.2 The Final Accounts Memorandum presents the action points that officers and members will need to consider for the preparation of the 2010/11 financial statements. These include:
- the qualitative issues reported in the Annual Governance Report;
 - other identified opportunities for strengthening controls and procedures;
 - action in respect of known risk areas for the 2010/11 accounts.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Lisa Quinn
Designation: Borough Treasurer
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Final Accounts

Memorandum

Cheshire East Borough Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Introduction	2
Main conclusions	3
Detailed findings	4
Qualitative issues identified in the Annual Governance Report.....	4
Other improvement areas	5
Looking forward.....	10
Appendix 1 Action plan	11

Introduction

1 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (the Statement) sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body. The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our work is undertaken in the context of these responsibilities.

2 We comply with the statutory requirements governing our audit work and, in particular, with the Audit Commission Act 1998 and the Code of Audit Practice (the Code). The Code defines our work in two main areas, the opinion on the financial statements and our value for money conclusion.

Financial statements

3 I completed my audit of the 2009/10 financial statements of Cheshire East Borough Council (The Council) including work on the systems and controls that support the recording and reporting of financial information in September. I presented the findings from the audit to the Audit and Governance Committee and issued an unqualified opinion on 30 September.

4 This report brings together action points that officers and Members will need to consider for the preparation of the 2010/11 financial statements. These include:

- the qualitative issues reported in the Annual Governance Report;
- other identified opportunities for strengthening controls and procedures; and
- action in respect of known risk areas for the 2010/11 accounts.

5 I would like to take this opportunity to thank the Borough Treasurer and her staff for all their help and support during the audit.

Main conclusions

6 This has been a challenging year for officers as they prepared the Council's first set of accounts. In addition to a major exercise to agree opening balances, there were a number of technical issues to deal with such as the implementation of new accounting rules around the recognition of private finance initiatives and service concessions and changes to collection fund accounting. These issues were generally dealt with successfully. However, the accounts did contain a significant number of errors particularly in relation to less technical areas. The working papers and audit trail to support the accounts were adequate, with some exceptions, and officers responded positively to requests for additional information.

7 Overall there is scope to improve the accuracy of the accounts presented for Members to approve. There is also scope to improve the quality and timeliness of supporting working papers presented for audit. In particular, introducing a robust quality assurance process which includes a review of the accounts by a senior officer should ensure that the disclosures in the accounts comply with the Statement of Recommended Practice and that errors are identified and corrected before the accounts are presented to Members for approval.

8 We had set a fee of £402,925 for the audit in April 2009, based on a number of assumptions. During the audit, I had to carry out additional work on opening balances, agreeing amendments to the accounts, and detailed testing of transactions due to control failures in order to gain sufficient audit assurance to issue an unqualified audit opinion. This work was over and above the assumed level of work included within the initial fee.

9 I therefore plan to raise an additional fee of £13,650. The reasons for the increase and level of fee have been discussed and agreed with the Borough Treasurer.

Detailed findings

Qualitative issues identified in the Annual Governance Report

10 The financial statements were approved by Members before the deadline of 30 June 2010. However, the officers briefing note to the Audit and Governance Committee explained additional work was required on the Statement of Recognised Gains and Losses (STRGL), the Statement of cash flows and earmarked reserves because of balancing figures in the accounts.

11 The STRGL and Cash flow are two of the four primary financial statements in the accounts. The STRGL reports the total movement in the Council's net worth for the year by bringing the gains and losses recognised in the Council's balance sheet together with the outturn for the year reported on the Income and Expenditure Statement. The cash flow summarises the cash flows in and out of the Council during the year and is useful in assessing whether there is sufficient cash available to pay the Council's bills.

12 Officers carried out further work during the next three months and as my audit was in progress, to identify and correct the discrepancies. As a result the level of the discrepancies was reduced significantly to £91k and £196k in the STRGL and cash flow respectively.

13 The financial statements approved in June were amended for five material errors and 22 non-material errors. The adjusted errors increased the deficit reported in the draft accounts from £64,317k to £66,639k. In addition my audit identified five unadjusted misstatements which management declined to adjust.

14 The adjusted errors included numeric errors, changes to classification of items of account and amendments to disclosures. For example:

- Overstatement of long-term debtors and long-term creditors (£18 million)
- Misclassification of short term investments and debtors as cash ~ (£10 million and £22.7 million respectively)
- Amendment to disclosures in accounting policies to fully comply with SORP guidance.

15 In addition we identified a number of errors due to netting off balances instead of reporting items at their gross value. For example:

- PFI impairment shown at net value in the income and expenditure account resulting in an understatement of expenditure of £2.1 million.
- Fixed asset additions and impairments netted off against each other resulting in understatement of both items of £10.6 million.

16 The working papers and audit trail to support the accounts were adequate but there were some exceptions. Officers responded very positively to requests for additional information.

17 However, there is still scope to significantly improve the quality and accuracy of the accounts presented for audit and the quality and timeliness of supporting working papers. In particular, the accounts should be reviewed by a senior officer to ensure that the disclosures in the accounts comply with the Statement of Recommended Practice (SORP) and that compilation errors are identified and corrected before the accounts are presented to Members.

Recommendation

R1 Implement a quality assurance process to improve the standard of the accounts presented for audit, ensure compliance with the SORP and reduce the number of accounts compilation errors.

R2 Ensure that a full set of working papers to support the accounts is available when the accounts are submitted for audit

Other improvement areas

18 During the audit, we identified other areas where controls and procedures can be strengthened.

Issues arising from our review of the control environment

19 As part of our planning work we reviewed the Council's IT control environment to assess potential risks. This work was carried out during January / February 2010.

20 Overall we assessed the risk that weaknesses in the IT general control environment could reduce the effectiveness of system level automated controls as low. The key findings from this assessment were as follows.

- A number of interim IT security policies were still in use nine months after the Council came into being and some of the information they contained was out of date. A new suite of Cheshire East ICT security policies was in development but had not yet been approved or made available for use by March 2010.
- The Disaster Recovery Plan was out of date and did not reflect the current arrangements with the disaster recovery supplier. The plan did not link with the individual services business continuity plans and there was no prioritised system recovery timetable based on business needs. Very little testing had been carried out on systems disaster recovery during the year.
- The new data centre has been built on a flood plain - and this will need to be considered as part of the review of the Disaster Recovery Plan.

Issues arising from our review of financial controls

21 Our testing of key controls in the financial systems at both the Council and the shared service found that controls were generally operating as intended with the following exceptions.

22 We reviewed the year end bank reconciliations and found reconciling items totalling £1.1 million, relating to income received in the bank but not posted onto the general ledger before the year end. This resulted in an understatement of income and bank balances recorded in the accounts.

Recommendation

R3 As part of the reconciliation process, reconciling items should be cleared on a timely basis to ensure that income, expenditure and cash balances are accurately reflected in the ledger.

23 Our review of payroll controls operating at the shared service found insufficient evidence had been kept throughout the year to demonstrate payroll payment runs had been authorised by the supervisor prior to payment. As a result, we undertook additional checks to obtain assurance payments made were valid Council expenditure.

Recommendation

R4 Remind staff that they should evidence the operation of controls that they are responsible for operating.

24 The control over the authorisation of income invoice requisitions was turned off by management early in the year. This control provides assurance that all expected income is invoiced at the correct amount and coded correctly. We undertook additional testing to gain assurance over the accuracy and classification of income reported in the accounts.

Recommendation

R5 Council to consider re-instating the control over the authorisation of income invoice requests.

25 We found the controls over journal authorisation, coding and supporting documentation were operating as expected. Despite this, detailed testing of journals as part of the accounts audit, found that a significant number of the journals posted were corrections of or to journals previously posted.

26 An example of this was the overstatement of year end debtors and creditors by £1.9 million due to the posting of a journal intended to adjust for items in the accounts that had previously been adjusted.

Recommendation

R6 Strengthen managerial oversight of journals to ensure that the initial journals posted are accurate and that the need for correcting journals is kept to a minimum.

Other Issues arising from our review of financial statements

Fixed assets

27 Our audit of fixed assets found a number of errors mainly due to classification errors and the inclusion of net amounts in respect of additions and impairments. A number of amendments were agreed as follows.

- Increase in valuation of assets under construction by £1.045 million being expenditure previously classified as 2010/11 expenditure and by £1.195 million expenditure previously written off as capital expenditure not adding value.
- Decrease in land and building valuation of £4.023 million relating to an asset demolished in year but not excluded from the asset register.
- Increase in value of additions and impairments of £10.6 million to show these items gross in line with recognised accounting practice.

28 The following errors were not adjusted in the accounts.

- Depreciation of £0.11 million charged in error on surplus assets and investment properties.
- Community assets revalued in error giving rise to an overstatement of £0.172 million.

29 From our review of the form and content of the asset register for compliance with guidance, we identified scope to improve the information recorded in the register by recording the cost centres to which assets are allocated, the basis of valuation of assets, reasons for impairments (to aid subsequent reversal) and the value and reasons for impairments charged to I&E.

Recommendation

R7 Review the level of information recorded in the fixed asset register to ensure compliance with guidance.

R8 Strengthen the procedures in place to ensure that asset disposals or demolitions and the reclassification of assets between, for example, operational and non-operational are actioned promptly in the asset register.

30 During the year, a revaluation exercise was undertaken covering all ex-district land and buildings. This work was undertaken by the District Valuer (for ex Crewe and Congleton assets) and a private valuer with previous knowledge and experience of ex-Macclesfield assets. The overall results of the valuations were:

- 1.2 per cent decrease in operational asset valuation for Congleton;
- 9 per cent increase in operational asset valuation for Crewe; and
- 25 per cent increase in operational asset valuation for Macclesfield.

31 Enquiries of officers did not identify any significant local circumstances which would account for this wide variation. This may have been because officers did not scrutinise and challenge the information received back from the valuers before using it as the basis of valuation.

32 We carried out additional testing to gain assurances as to the professional credentials of valuers, scope and nature of work carried out, basis of valuations and corroborative procedures on the results of revaluations.

Recommendation

R9 Officers should formally record the steps taken to gain assurances around the qualifications and expertise of the experts on whose work they plan to place reliance to derive figures used in the accounts.

R10 Officers should undertake corroborative procedures on the results of experts' work to assure themselves that the results fully address the work specified; that the results are in line with expectations, and if not reasons for variations are understood.

Opening balances

33 As a result of local government reorganisation, the Council was required to prepare an opening balance sheet to reflect the three ex-district assets and liabilities and the share of the County Council's balance sheet, using merger accounting principles. The balances were subsequently adjusted to reflect cash postings on legacy systems.

34 Our work concluded that while the inherited assets and liabilities were accurately reflected in the Council's ledger and accounts, opening intra authority debtors and creditors of £1.2 million net had not been removed from the opening balance sheet in line with merger accounting principles. These amounts were written out during the year through a mixture of cash transactions and journal postings.

35 In addition we identified adjustments to opening balances on debtors and creditors of £0.69 million and £0.87 million for which there was no supporting audit trail. These items were reported as unadjusted items in my Annual governance report to the Committee on 30 June 2010.

Recommendation

R11 Carry out a post implementation review to identify lessons learned from the restatement exercise, particularly around timing of work, adequacy of audit trail and control and accuracy of journal postings, to inform planning of the International Financial Reporting Standards restatement exercise in 2010/11.

Doubtful debt provision

36 Our review of the doubtful debt provision which comprises a number of elements, found that there was an over provision for housing benefits debts. This was offset by an under provision for sundry debts so the overall provision was not materially understated. This arose because the method used to calculate the provision did not comply with the Council's stated accounting policy where provision should be made for all debts over six months old.

Recommendation

R12 Ensure that the methodology used to calculate the doubtful debt provision complies with the Council's accounting policy.

Looking forward

Shared services

37 Cheshire East uses a shared service, hosted by Cheshire West and Chester Council, to manage its major financial ledgers including payroll. All the Council's financial transactions are processed by the shared service and the Council is reliant on shared service staff to operate various financial controls including managerial checks.

38 Effective auditing of the shared services operation is fundamental to establishing a sound control environment. It provides assurances to Council managers and those charged with governance on the accuracy and completeness of the underlying of the financial records used in day-to-day management and decision making and for statutory financial reporting.

39 Cheshire East and Cheshire West and Chester Councils are currently developing an internal audit protocol around the audit of shared services. The protocol covers audit planning, delivery and reporting. Agreement of this protocol, and of a tailored internal audit plan for the audit of shared services in 2010/11, should significantly strengthen the assurance gained over the effective working of your financial systems.

International Financial Reporting Standards

40 The Council's financial statements will be prepared using International Financial Reporting Standards for 2010/11. This will require restating the closing balances from the 2009/10 financial year. This is a major exercise requiring input and expertise from across the organisation, from both service areas and back office teams such as HR, Finance and Estates.

41 Council officers are in the process of pulling together detailed plans and timetables for the restatement exercise. The 2009/10 experiences around the opening balances exercise should provide useful lessons to assist officers in preparing and implementing their detailed plans. We will work closely with the Borough Treasurer and her team over the coming months to monitor progress in delivering the implementation plans.

Appendix 1 Action plan

Recommendations	
Recommendation 1	
Implement a quality assurance process to improve the standard of the accounts presented for audit, ensure compliance with the SORP and reduce the number of accounts compilation errors.	
Responsibility	
Priority	
Date	
Comments	
Recommendation 2	
Ensure that a full set of working papers to support the accounts is available when the accounts are submitted for audit.	
Responsibility	
Priority	
Date	
Comments	
Recommendation 3	
As part of the reconciliation process, reconciling items should be cleared on a timely basis to ensure that income, expenditure and cash balances are accurately reflected in the ledger.	
Responsibility	
Priority	
Date	
Comments	
Recommendation 4	
Remind staff that they should evidence the operation of controls that they are responsible for operating.	
Responsibility	
Priority	
Date	
Comments	
Recommendation 5	
Council to consider re-instating the control over the authorisation of income invoice requests.	

Responsibility**Priority****Date****Comments****Recommendation 6**

Strengthen managerial oversight of journals to ensure that the initial journals posted are accurate and that the need for correcting journals is kept to a minimum.

Responsibility**Priority****Date****Comments****Recommendation 7**

Review the level of information recorded in the fixed asset register to ensure compliance with guidance

Responsibility**Priority****Date****Comments****Recommendation 8**

Strengthen the procedures in place to ensure that asset disposals or demolitions and the reclassification of assets between, for example, operational and non operational are actioned promptly in the asset register.

Responsibility**Priority****Date****Comments****Recommendation 9**

Officers should formally record the steps taken to gain assurances around the qualifications and expertise of the experts on whose work they plan to place reliance to derive figures used in the accounts

Responsibility**Priority****Date****Comments****Recommendation 10**

Officers should undertake corroborative procedures on the results of experts' work to assure

themselves that the results fully address the work specified expectations; that the results are in line with expectations, and if not reasons for variations are understood.

Responsibility

Priority

Date

Comments

Recommendation 11

Carry out a post implementation review to identify lessons learned from the restatement exercise, particularly around timing of work, adequacy of audit trail and control and accuracy of journal postings, to inform planning of the International Reporting Standards restatement exercise in 2010/11.

Responsibility

Priority

Date

Comments

Recommendation 12

Ensure that the methodology used to calculate the doubtful debt provision complies with the Council's accounting policy.

Responsibility

Priority

Date

Comments

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- any director/member or officer in their individual capacity; or
- any third party.



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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit & Compliance and Borough Solicitor
Title: Code of Corporate Governance

1.0 Report Summary

- 1.1 The purpose of the report is to gain approval for the attached Code of Corporate Governance that has been revised to take account of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s *'Application Note to Delivering Good Governance in Local Government: a Framework'*.

2.0 Recommendation

- 2.1 That the attached Code of Corporate Governance be adopted by the authority and used as a basis for self-assessment, continuous improvement and as a contributor to producing the Annual Governance Statement.

3.0 Reasons for Recommendation

- 3.1 Following extensive research and consultation, the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government: Framework* and accompanying guidance note in 2007. The Framework urged local authorities to develop and maintain an up to date local code of governance. Consequently, the principles and standards set out in the Framework were used to develop and maintain Cheshire East's Code of Corporate Governance which was approved in November 2009.
- 3.2 In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. In the Statement, CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.

- 3.3 CIPFA has subsequently issued its *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Statement builds heavily on CIPFA's *Role of the Chief Financial Officer in Public Services* and applies the principles and roles set out in that document to local government. In March 2010 CIPFA issued an Application Note to provide advice on the application of the *Statement on the Role of the Chief Financial Officer in Local Government* under the current CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 3.4 In order to implement the recommendations contained within the Application Note the Council's Code of Corporate Governance (Appendix A) has been revised to include the additional/expanded governance requirements from the CFO Statement (shown in italics).
- 3.5 In approving the amendments to the Council's Code of Corporate Governance the Committee should be aware that the Application Note is intended to be a temporary measure that will operate for the financial years 2009/10 and 2010/11 during which time a full review of the CIPFA/SOLACE Framework including consultation will be carried out. Therefore a further amendment to the Council's Code may be required following the release of CIPFA's updated framework.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications including – Climate Change – Health

- 6.1 Not applicable.

7.0 Financial Implications

- 7.1 There will be a need to make staff aware of the code and to review the effectiveness of the Corporate Governance arrangements. Some training costs and staff resources may be necessary to promote the changes to the framework and this will be coordinated by the Corporate Governance Group.

8.0 Legal Implications

- 8.1 In England, the preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 which requires authorities to “conduct a review at least once in a year on the effectiveness of its systems of internal control” and to prepare a statement on internal control “ in accordance with proper practices”.

9.0 Risk Assessment

- 9.1 Adoption of the code assists the overall response to a number of risks relating to adherence to good governance standards and the need to demonstrate effective governance.

For further information:

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Background Documents:

Delivering Good Governance in Local authorities CIPFA/SOLACE 2007

Application Note to Delivering Good Governance in Local Government: a Framework CIPFA/SOLACE 2010

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CODE OF CORPORATE GOVERNANCE

Cheshire East Council

INTRODUCTION

Cheshire East operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes.

In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Society of Local Authority Chief Executives (SOLACE) with the support from key organisations in local government, responded to the need to draw together the principles identified by Cadbury, Nolan and, in England, the former Department of the Environment, Transport and the Regions (DETR). A single framework of good governance for use in local government was published entitled “Corporate Governance in Local Government – A Keystone for Community Governance: Framework”.

Since the Framework was published, local government has been subject to continued reform intended to improve local accountability and engagement and a revised framework was deemed timely.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Good governance enables Cheshire East to pursue its vision effectively as well as underpinning that vision with mechanisms for control and the management of risk.

The revised Framework “Delivering Good Governance in Local Government – Framework” issued in 2007 defines the principles that should underpin the governance of a local authority. It identifies six core principles: -

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

The annual review of the Code of Corporate Governance is reported to the Audit and Governance Committee.

The production of the Governance Statement in compliance with the Accounts and Audit Regulations 2003 (Amended 2006) is presented to the Audit and Governance Committee annually in conjunction with the Statement of Accounts.

PRINCIPLE 1**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas:**

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner.

Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders

Supporting Principles	To meet with the requirements of Principle 1, Cheshire East will:
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users	<ul style="list-style-type: none"> • Develop and promote the authority's purpose and vision
	<ul style="list-style-type: none"> • Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements
	<ul style="list-style-type: none"> • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
	<ul style="list-style-type: none"> • Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<ul style="list-style-type: none"> • Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available
	<ul style="list-style-type: none"> • Put in place effective arrangement to identify and deal with failure in service delivery
Ensuring that the authority makes best use of resources and that tax payers and service users receive	<ul style="list-style-type: none"> • Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for

excellent value for money	money and performance effectively. Measure the environmental impact of policies, plans and decisions
	<ul style="list-style-type: none"> • <i>Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use</i>
	<ul style="list-style-type: none"> • <i>Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary</i>
	<ul style="list-style-type: none"> • <i>Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code</i>

PRINCIPLE 2**Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard
- Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government, the governing body is the full council or authority.

Supporting Principles	To meet with the requirements of Principle 2, Cheshire East will:
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of the Cabinet and the Cabinet members individually and the authority's approach towards putting this into practice
	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
	<ul style="list-style-type: none"> • <i>Ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.</i>
Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard	<ul style="list-style-type: none"> • Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required
	<ul style="list-style-type: none"> • Make the chief executive or equivalent responsible and accountable to the authority for all aspects of operational management
	<ul style="list-style-type: none"> • <i>ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members</i>
	<ul style="list-style-type: none"> • Develop protocols to ensure that the

	leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
	<ul style="list-style-type: none"> • Make a senior officer (the Borough Treasurer and Head of Assets as Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control
	<ul style="list-style-type: none"> • <i>appoint a professionally qualified CFO (Chief Financial Officer –in this case the Borough Treasurer and Head of Assets) whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority</i> • <i>ensure that the CFO :</i> <ul style="list-style-type: none"> ○ <i>leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively</i> ○ <i>has a line of professional accountability for finance staff throughout the organisation</i> • <i>ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance</i> • <i>Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role</i>
	<ul style="list-style-type: none"> • Make a senior officer (the Borough Solicitor as monitoring officer)

	responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other	<ul style="list-style-type: none"> • Develop protocols to ensure effective communication between members and officers in their respective roles
	<ul style="list-style-type: none"> • Set out terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective independent remuneration panel (for members)
	<ul style="list-style-type: none"> • Ensure that effective mechanisms exist to monitor service delivery
	<ul style="list-style-type: none"> • Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholder, and that they are clearly articulated and disseminated.
	<ul style="list-style-type: none"> • <i>Establish a medium term business and financial planning process to deliver strategic objectives including:</i> <ul style="list-style-type: none"> • <i>A medium term financial strategy to ensure sustainable finances</i> • <i>A robust annual budget process that ensures financial balance</i> • <i>A monitoring process that enables this to be delivered</i> • <i>Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used</i>
	<ul style="list-style-type: none"> • When working in partnership. Ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority
	<ul style="list-style-type: none"> • When working in partnership: <ul style="list-style-type: none"> ○ Ensure that there is clarity about the legal status of the partnership ○ Ensure that, when working in partnership, all parties understand and

	make clear the extent of the authority to bind their organisation to partner decisions
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PRINCIPLE 3**Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective

Good governance flows from a shared ethos or culture. As well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated by behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example equal opportunities and anti-discrimination.

Supporting Principles	To meet with the requirements of Principle 3, Cheshire East will:
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> • Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
	<ul style="list-style-type: none"> • Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
	<ul style="list-style-type: none"> • Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
Ensuring that organisational values are put into practice	<ul style="list-style-type: none"> • Develop and maintain shared values including leadership values for both the

and are effective	organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners
	<ul style="list-style-type: none"> Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
	<ul style="list-style-type: none"> <i>Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice</i>
	<ul style="list-style-type: none"> Develop and maintain an effective standards committee
	<ul style="list-style-type: none"> Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
	<ul style="list-style-type: none"> In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

PRINCIPLE 4**Taking informed and transparent decisions which are subject to effective scrutiny and managing risks**

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms.

To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

Supporting Principles**To meet with the requirements of Principle 4, Cheshire East will:**

Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny

- Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible
- *Ensure an effective internal audit function is resourced and maintained*
- Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
- Develop and maintain an effective audit committee (the Audit and Governance Committee) which is independent of the executive and scrutiny functions.

	<ul style="list-style-type: none"> • <i>Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit</i>
	<ul style="list-style-type: none"> • Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> • Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications
	<ul style="list-style-type: none"> • <i>Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority</i>
	<ul style="list-style-type: none"> • Ensure that timely professional advice on matters that have legal or financial implications is available and recorded in advance of decision making and used appropriately
	<ul style="list-style-type: none"> • <i>Ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions</i>
	<ul style="list-style-type: none"> • <i>Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance</i>
Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> • Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job
	<ul style="list-style-type: none"> • <i>Ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports</i> • <i>Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorization and approval</i>

	<i>processes</i>
	<ul style="list-style-type: none"> • Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those in contracting with or appointed by the authority have access.
Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> • Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities
	<ul style="list-style-type: none"> • Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law
	<ul style="list-style-type: none"> • Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision making processes

PRINCIPLE 5**Developing the capacity and capability of members and officers to be effective**

- Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services. Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the social class, life experience, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.

Supporting Principles**To meet the requirements of Principle 5, Cheshire East will:-**

Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles

- Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
- Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority

- *Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role*
- *Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised*
- *Provide the finance function with the resources, expertise and systems necessary to perform its role effectively*

Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<ul style="list-style-type: none"> Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
	<ul style="list-style-type: none"> <i>embed financial competencies in person specifications and appraisals</i> <i>ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities</i>
	<ul style="list-style-type: none"> Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
	<ul style="list-style-type: none"> Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs
Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<ul style="list-style-type: none"> Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
	<ul style="list-style-type: none"> Ensure that career structures are in place for members and officers to encourage participation and development

PRINCIPLE 6

Engaging with local people and other stakeholders to ensure robust public accountability <ul style="list-style-type: none"> • Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships • Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning • Making best use of human resources by taking an active and planned approach to meet responsibility to staff 	
<p>Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to annual review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the ombudsman.</p>	
Supporting Principles	To meet the requirements of Principle 6, Cheshire East will:-
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and stakeholders, including partnerships, and develops constructive accountable relationships</p>	<ul style="list-style-type: none"> • Make clear to all staff and the community to whom they are accountable and for what
	<ul style="list-style-type: none"> • Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required
	<ul style="list-style-type: none"> • Produce an annual report on the activity of the scrutiny function and promote a regular dialogue between executive and scrutiny functions
<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	<ul style="list-style-type: none"> • Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively
	<ul style="list-style-type: none"> • Hold meetings in public unless there are good reasons for confidentiality
	<ul style="list-style-type: none"> • Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise

	that sections of the community have different priorities and establish explicit processes for dealing with these competing demands
	<ul style="list-style-type: none"> • Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result
	<ul style="list-style-type: none"> • On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
	<ul style="list-style-type: none"> • Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnership, subject only to those specific circumstances where it is proper and appropriate to do so
Ensure that our staff are engaged in the objectives and ethos of the organisation	<ul style="list-style-type: none"> • Ensure that staff are fully informed and have an opportunity to feedback with comments and suggestions.

CESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit & Compliance and Borough Solicitor
Title: Update on Annual Governance Statement

1.0 Report Summary

- 1.1 The purpose of this report is to recommend a process for the completion of the Annual Governance Statement for 2010/11 in accordance with best practice.

2.0 Recommendation

- 2.1 That the Committee consider and endorse the process for the production of the 2010/11 Annual Governance Statement.

3.0 Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2003 (as amended) require the Council to produce an Annual Governance Statement (AGS). It is good practice to agree the process for producing the statement, as detailed in Appendix A, with Members in advance.
- 3.2 Members of the Committee have already received a briefing on the AGS process on 16 June 2010 at a formal training session and this report builds upon this, in advance of the year end.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications

- 7.1 No specific financial implications. The production of the AGS is designed to align with the production of the Council's Financial Statements (draft by end June of each year) and will be published alongside the audited accounts (approved by end September).

8.0 Legal Implications

- 8.1 The production of the AGS is required by the Accounts and Audit Regulations and the process suggested in the report is designed to meet this obligation.

9.0 Risk Assessment

- 9.1 The process and success of Corporate Governance arrangements is part of the authorities overall approach to managing risk.

For further information:

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Background Documents:

Accounts and Audit Regulations 2003 (as amended)

Delivering Good Governance in Local Government (CIPFA/SOLACE)

Report to Audit and Governance Committee

Update on issues relating to the Annual Governance Statement

17 November 2010

1.0 Purpose of This Report

- 1.1 The purpose of this report is to facilitate compliance with the requirements of the Accounts and Audit Regulations (2003 as amended) and, consequently, it provides Members with the proposed process for compiling the AGS in order that Members may endorse the approach.

2.0 Annual Governance Statement 2010/11

- 2.1 Regulation 4 of the Accounts and Audit Regulations 2003 (as amended) requires the Council to conduct a review at least once a year of governance arrangements. The statutory reporting requirement for the AGS is linked to the publication of the Council's financial statements (end of September 2011 for the 2010/11 financial year). Furthermore, although the AGS relates to the year ended 31 March 2011, it must be based on key controls that will continue to operate until the publication of the Statement of Accounts.
- 2.2 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness of the processes and/or to address identified weaknesses. The results of the review will be reported to the Audit and Governance Committee in June 2011 in order that the AGS is approved.
- 2.3 In considering whether to approve the AGS, the Audit and Governance Committee should seek to support the disclosures made and be satisfied:
- with the process
 - that the evidence supports the disclosures made in the AGS

Consequently, the proposed process needs to be fully accepted and endorsed by the Committee.

3.0 Review of Corporate Governance Arrangements

- 3.1 It is proposed that the review of governance arrangements that have been in place for the year ended 31 March 2011 will be informed by the work of the Internal Auditors and the Executive Managers and also by comments made by the External Auditors and other review agencies/inspectionates. The sources of assurance will include:

- Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process
 - The s151 Officer and the Monitoring Officer in meeting statutory responsibilities
 - Internal Audit through the annual and interim reports
 - External Audit through reports and the Management and Inspection letter
 - Outcomes from other review agencies and inspectorates
 - Directors and Senior Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements
 - The designated officers who complete AGS self-assessment questionnaires (In this way compliance with the Council's Code of Corporate Governance will be evidenced)
- 3.2 The AGS will be considered by the Corporate Management Team with work being co-ordinated by the Corporate Governance Group.
- 3.3 In order that Members may discharge their duties the Committee has received/will receive reports, information and training throughout the period under review including:
- the Internal Audit Annual Report for 2010/11 (timed to support production of the AGS)
 - interim update reports from Internal Audit
 - update reports on Risk Management
 - an update report on issues contained within the 2009/10 AGS
 - a workshop that examines the draft AGS and supporting documentation (timed to support the production of the draft statement of accounts)
- 3.4 The Audit and Governance Committee will critically review the AGS and its supporting documentation and, in considering whether to approve the Statement, seek to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made. The AGS will, subject to approval by the Audit and Governance Committee, be signed off by the Chief Executive and the Leader of the Council and published with the Council's financial statements
- 4.0 **The System of Internal Audit**
- 4.1 Regulation 6 of the Accounts and Audit Regulations 2003 (as amended) requires the authority to conduct an annual review of the effectiveness of its system of internal audit. It is proposed that the 2010/11 review is undertaken using the following checklists:

APPENDIX A

- compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
 - self-assessment - measuring the effectiveness of the Audit Committee
- 4.2 The Corporate Governance Group will co-ordinate the assessments with the results being fed into the review of the Council's governance arrangements. Consequently, the detailed outcome of the review will be considered by the Audit and Governance Committee as part of the AGS approval process.

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 17 November 2010

Report of: Head of Policy and Performance

Subject/Title: Risk Management Update Report – Key Corporate Risks

1.0 Report Summary

- 1.1 The purpose of this report is to provide an update on the risk management framework of the Council and its Key Corporate Risks.

2.0 Recommendation

- 2.1 The Audit and Governance Committee is requested to consider and comment on the Key Corporate Risks and the approach outlined in the paper to identify the actions in place to mitigate the risks before onward submission of the risks to Cabinet at its meeting on 20 December 2010.

3.0 Reasons for Recommendation

- 3.1 Given the context of developments in the public sector, the current economic climate and the Council's need to deliver local priorities within the limits of available funding, risk management has an increased profile and it is important that the Council is able to demonstrate that it has effective risk management processes in place. Based on the current Corporate Plan 2010-13, a risk workshop was undertaken by the Corporate Risk Management Group on 8 September 2010 to identify the key corporate risks that may adversely or beneficially affect the Council's ability to achieve its corporate objectives.
- 3.2 This paper provides, at **Appendix A**, details of the 14 Key Corporate Risks identified as a result of the workshop. The CMT, at its meeting on 19 October 2010, considered and agreed 14 key corporate risks which could (if unmanaged) prevent the Council from achieving its strategic aims and/or operating its business. As a result of discussion of the risks at the meeting of the Corporate Risk Management Group on 22 October 2010, a new corporate risk (risk 15) in relation to the external environment and government reviews was also suggested.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

5.1 N/A

6.0 Policy Implications

6.1 Risk Management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

7.0 Financial Implications

7.1 None

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 As well as the need to protect the Council's ability to achieve its strategic aims, and to operate its business, general principles of good governance require that it should also identify risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework, and this report is aimed at addressing that requirement.

9.0 Risk Management

9.1 This report relates to overall risk management.

10.0 Background

10.1 Corporate Plan Translation and Risk Management Issues

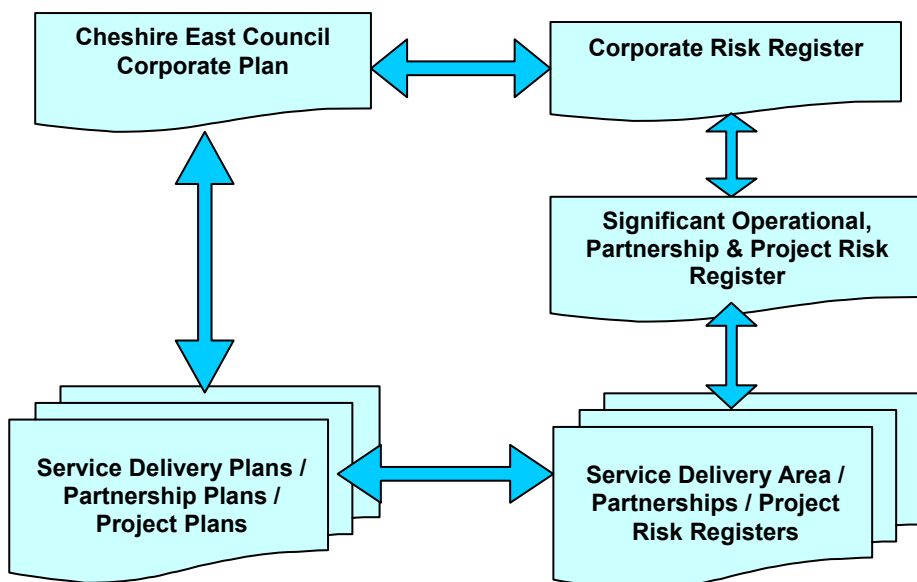
The Business Planning Process aims to develop a 'Golden Thread' for corporate planning within Cheshire East Council. Good risk management informs strategic development and planning, increases the probability of success and reduces both the probability of failure and uncertainty of achieving the Council's overall objectives. The 5 Corporate Objectives for the Council are as follows:-

1. To give the people of Cheshire East more choice and control about services and resources.
2. To grow and develop a sustainable Cheshire East.
3. To improve life opportunities and health for everybody in Cheshire East
4. To enhance the Cheshire East environment
5. Being an excellent Council and working with others – to deliver for Cheshire East

10.2 Detailed in **Appendix A** is a risk description for each of the 15 key corporate risks, including the cause of the risk and any impact on the corporate objective/s which may arise. For each risk there is a proposed

risk owner; given the nature of corporate risks this is a CMT member and at this level is principally a monitoring function.

- 10.3 To ensure there is no disconnect with the overview of Portfolio Holders, and that, when decisions are made, there is a clear understanding of the key risks, it was suggested that some Cabinet Members act as a strategic lead for monitoring each of the corporate risks and this is being considered.
- 10.4 Further to agreeing and receiving comments on the suggested key corporate risks, the next steps are for the risks to be scored, for mitigating actions to be recorded and for any further actions to be identified, in order to ensure risks are reduced to within accepted tolerance levels. The Risk Team are presently taking this action forward with agreed risk owners and will be completing the other columns in the risk register as attached in **Appendix A**.
- 10.5 Whilst the Corporate Risk Register deals with the high level corporate risks, which could (if unmanaged) prevent the Council from achieving its strategic aims and/or operating its business, there are also operational risks associated with the delivery of the Council's Service Delivery Plans. This paper presents proposals about how the operational risks could be identified and managed. It is intended that the risk register hierarchy will mirror the relationship between the Corporate Plan and the Service Delivery Plans. In addition to the Corporate Risk Register we will record significant operational, partnership and project risks, which, if they were to materialise, would impact upon delivery of the corporate objectives. This is demonstrated in the diagram below:-



- 10.6 Operational Planning and Risk Assessment
To support the successful delivery of the Council's Corporate Plan, Service Delivery Plans, Partnership and Project Plans will need to be refined and

updated. It is also necessary to identify risks associated with these plans in consultation with the Senior Management Team lead and their key staff. It is planned that risk management workshops are run in each of these areas. The workshops will vary in format depending upon how advanced each area is in relation to its planning and risk management, but will include an evaluation of risks that may impact on the successful completion of the objectives within the Service Delivery Plan that the area has responsibility for.

- 10.7 A logical conclusion to the workshops and these risk assessments is devolved risk management at an operational level, therefore, leaving the Corporate Risk Management Group, Audit and Governance Committee, Cabinet and Council to focus time and effort on managing and monitoring only the higher level corporate and most significant risks.
- 10.8 Risk Management Training
The Audit and Governance Committee will receive training in risk management following this meeting. Risk management training has also been given to Cabinet, Corporate Scrutiny Group, the Senior Management Team, and other departmental teams. In addition a workshop was recently undertaken with cross-departmental representatives to consider climate change risks and ensure that the Council considers these risks as part of a climate change adaptation strategy.
- 10.9 Reporting
Progress on actions to mitigate and manage the strategic risks will continue to be reported quarterly to this Committee, Corporate Management Team and Cabinet, as previously agreed. A review of the Council's Risk Management Policy and Strategy will be undertaken and reported to this Committee in January 2011.
- 10.12 Performance Management
In order to fully integrate risk management into planning and performance management, discussions have taken and continue to take place with the Performance Management Team and plans are in place to link the risk management process to the performance management system which is being developed. Risk management continues to be an integral part of Service Planning and it will be a key element within the current development of the Corporate Plan.
- 11.0 Access to Information**
- 11.1 The background papers relating to this report can be inspected by contacting the report writer:

Name: Vivienne Quayle
Designation: Head of Policy & Performance
Tel No: 01270 686859
Email: vivienne.quayle@cheshireeast.gov.uk

Risk Ref	Risk Description	Risk Description Comments from CMT	Corporate Objectives Ref	Delivery Objectives Ref	Suggested/ Agreed Risk Owner	Cabinet Member Strategic Lead	Gross Score (without controls)			Risk Response	Risk Status	Existing Controls & Evidence	Net Score (as it is now)			Direction of Travel for Residual Risk	Planned Actions	Planned Action Lead	Planned Action Due Date	Current Status of Planned Action	Target Score (after actions)		
							Likelihood	Impact	Total Score				Likelihood	Impact	Total Score						Likelihood	Impact	Total Score
							L	I	LxI				L	I	LxI						L	I	LxI
1	Service Delivery Prioritisation: Risk that poor management of service prioritisation causes ineffective and inefficient delivery of services such that we fail to achieve our key priorities and corporate objectives.		All		Chief Executive	<div>Suggested Cabinet member strategic lead to encourage ownership and accountability for the risk and that there is no disconnect with decision making.</div>			0		<div>Categories: New Risk, Enduring Risk, Challenging Risk, Dying Risk, Dead Risk, Re-emerging Risk</div>	<div>What controls are already in place to mitigate the risk? Where is the evidence for these controls?</div>			0	<div>This is the combined risk of the assessed likelihood and impact from 16 down to 1 after taking account of any controls in place to manage the risk.</div>		<div>What further controls are planned to mitigate the risk?</div>	<div>Name of the person responsible for taking forward the action.</div>		<div>This is the target risk score aimed for as a result of the planned actions - note this is not the net risk.</div>		
3	Financial Control: Risk that we fail to manage the budget and maintain financial control, thereby threatening our financial stability and preventing us from achieving the corporate objectives and service delivery.	Include maintaining a balancing position	All		Borough Treasurer	<div>This is the combined risk of the assessed likelihood and impact from 16 down to 1 inherent before taking account of any controls in place to manage the risk.</div>						<div>Key showing whether the net risk score is increasing, decreasing or remains the same since the risk was last reviewed.</div>					<div>Some risks require weekly or monthly monitoring, others will only need to be revisited following the proposed date for completion of the action.</div>						
4	Community Safety: Risk that ineffective management of community safety causes poor perception and poor provision of safety, leading to an increase in anti-social behaviour and impacting on our ability to enhance the Cheshire East environment and improve opportunities for all.		3, 4 & 5		Strategic Director Places			0							0						<div>Record progress against actions identified. If progress is unsatisfactory this could give rise to the need for new actions. Green = significant number or all actions are on target to be implemented Amber = a number of actions have been implemented but some remain outstanding or partially implemented Red = a significant number of actions have not been implemented according to timescales</div>		
2	Vulnerable People: Failure to recognise and act accordingly to safeguard and mitigate the risks to vulnerable people, leading to possible death of a vulnerable person/s and an inability to ensure better outcomes in life for the most vulnerable.	Include risk of harm and effective safeguarding	1, 3 & 5		Director of Adult, Community Health & Wellbeing Services / Director of Children & Families			0							0						0		
5	Equality Gap: Risk that we fail to accurately recognise community needs and/or address those needs by taking the most appropriate action to close the equality gap across Cheshire East, thus preventing us from improving life opportunities and health for all.		1, 3 & 5		Director of Adult, Community Health & Wellbeing Services / Director of Children & Families			0							0						0		
6	Partnerships: Risk that we fail to effectively engage with partners (third parties/private sector/voluntary sector), resulting in lack of service delivery, poor reputation, and damage to future engagement opportunities and our ability to be an excellent council, working with others to deliver for Cheshire East.		All		Head of Policy & Performance			0							0						0		
7	Health Partnerships: Risk that we fail to integrate with Health partners, resulting in fewer opportunities to maximise health benefits and reduced efficiency gains, and affecting our ability to meet our corporate objectives to work with others to improve health.		1 & 3		Director of Adult, Community Health & Wellbeing Services			0							0						0		

Risk Ref	Risk Description	Risk Description Comments from CMT	Corporate Objectives Ref	Delivery Objectives Ref	Suggested/ Agreed Risk Owner	Cabinet Member Strategic Lead	Gross Score (without controls)			Risk Response	Risk Status	Existing Controls & Evidence	Net Score (as it is now)			Direction of Travel for Residual Risk	Planned Actions	Planned Action Lead	Planned Action Due Date	Current Status of Planned Action	Target Score (after actions)		
							Likelihood	Impact	Total Score				Likelihood	Impact	Total Score						Likelihood	Impact	Total Score
							L	I	Lx I				L	I	Lx I						L	I	Lx I
8	Education: Risk that we fail to manage and maintain effective educational provision resulting in poor educational standards and affecting our ability to improve life opportunities.	Remove manage and maintain - include commissioning provision	2, 3 & 5		Director of Children & Families				0						0								0
9	Workforce: Risk that we fail to retain and motivate an effective and engaged workforce, such that the staffing infrastructure fails to support the Council in being excellent and achieving the corporate objectives.	Include leadership and capacity within the organisation	All		Head of HR & Organisational Development				0						0								0
10	Opportunities: Risk that we fail to position the Authority to maximise opportunity, resulting in an inability to build up potential, capability and resource to respond to future needs and a sustainable Cheshire East.		All		Chief Executive				0						0								0
11	Long-Term Planning: Risk that we fail to plan effectively for long term success, threatening the future viability and sustainability of Cheshire East.		All		Chief Executive				0						0								0
12	Transformation: Risk that we fail to manage transformation to effectively and efficiently shape our services and so are unable to deliver our key corporate objectives.	Not managing scale of change and projects and possible loss of continual improvement	All		Head of Corporate Improvement				0						0								0
13	Information, Research & Business Intelligence: Risk that we fail to invest in / make effective use of information / business intelligence, which leads to poor decision making, and undermines our ability to effectively and efficiently deliver the corporate objectives.		All		Head of Policy & Performance				0						0								0
14	Reputation: Risk that consideration is not given and management action is not taken, to effectively maintain the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to deliver the corporate objectives.		All		Head of Policy & Performance				0						0								0
15	External Environment: That development and changes as a result of government policy and reviews, such as the comprehensive spending review and the abolition of some quangos, compromise the Council's ability to deliver its key strategic aims.	New Risk arising and included as a result of discussion at the Corporate Risk Management Group Meeting on 22 Oct 2010	All		Chief Executive				0		New Risk				0								0

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit and Compliance
Title: Terms of Reference for Internal Audit

1.0 Report Summary

- 1.1 This report advises the Committee on the content of the Terms of Reference for the Internal Audit function at Cheshire East Council.

2.0 Recommendation

- 2.1 That the Committee be advised of the content of the Terms of Reference for the Internal Audit function at Cheshire East as set out in Appendix A and to note that they will be amended following the publication of CIPFA's document *The Role of the Head of Internal Audit in Public Service Organisations*.

3.0 Reasons for Recommendation

- 3.1 All principal local authorities subject to the Accounts and Audit Regulations 2003 (as amended) must make provision for internal audit in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.2 In order to comply with the Code the Head of Internal Audit and Compliance should advise the organisation on the content of the terms of reference and the need for subsequent amendment. The terms of reference, which were approved by the Governance and Constitution Committee in June 2009, can be found at Appendix A of this report. The terms of reference formally define the purpose, authority and responsibility of internal audit.
- 3.3 It should be noted that following approval of the terms of reference in June 2009, CIPFA has issued a consultation draft statement on the role of the head of Internal Audit in public service organisations. The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across all public services. It is intended to allow the Council to benchmark its existing arrangements against a defined framework and

to report publicly on compliance to demonstrate its commitment to good practice. It will, therefore, be necessary to revise the terms of reference following the publication of the document in order to set out how the Head of Internal Audit will fulfil the prescribed role.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

7.1 The internal audit function supports the effective and efficient use of resources and the safeguarding of the Council's resources.

8.0 Legal Implications

8.1 Contained within the report.

9.0 Risk Assessment

9.1 Failure to formally define the purpose and scope of internal audit could result in the service failing to contribute appropriately to the organisation it serves.

For further information:

*Portfolio Holder: Councillor David Brown
Officer: Vivienne Quayle, Head of Internal Audit
Tel No: 01270-685859
Email: vivienne.quayle@cheshireeast.gov.uk*

Background Documents:

The Role of the Head of Internal Audit Consultation Draft May 2010 – CIPFA
Code of Practice for Internal Audit in Local Government in the UK 2006 - CIPFA

Cheshire East Terms of Reference - Internal Audit June 2009**1.0 Introduction**

- 1.1 The Terms of Reference set out the framework within which Internal Audit discharges its responsibilities to Cheshire East Council to those charged with governance and the Section 151 Officer (Borough Treasurer and Head of Assets).

2.0 Audit Strategy

- 2.1 There is a separate document which sets out Cheshire East's Internal Audit Strategy. This is aligned with the authority's overall business planning process and the service delivery plans across the Council.

3.0 Responsibilities and Objectives of Internal Audit

- 3.1 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. Internal Audit staff objectively examine, evaluate and report upon the adequacy of the control environment, making a vital contribution to the proper, economic, efficient and effective use of resources.

- 3.2 The specific objectives of the Internal Function of Cheshire East are to:

- Assist the Council to achieve its Corporate priorities
- Provide assurance to those responsible for governance
- Promote business transformation and efficiency improvements
- Help prevent losses as a result of fraud and corruption

- 3.3 The Financial Procedure Rules set out the requirement for an Internal Audit Function and prescribe that:

- Internal audit fulfils the role of the Internal Audit function in the Council and provides assurance to the Section 151 officer, with regard to the effectiveness of the Council's internal control environment
- To contribute to the production of the Annual Governance Statement, the Internal Audit Manager is responsible for planning and delivering a programme or independent review of the Council's activities, the scope of the programme being based on the Council's objectives and an assessment of the risk which may affect the achievement of these objectives
- The Internal Audit Manager is also responsible to those charged with governance and currently satisfies that requirement by presenting an annual report to the Governance and Constitution Committee. The annual report is timed to coincide with the approval of the Annual Governance Statement. The internal audit plan, a commentary on audit activity and update reports setting out

progress against the plan are taken to the Governance and Constitution Committee at the appropriate times.

4.0 Reporting Lines and Relationships

- 4.1 Internal Audit is accountable to the Head of Policy and Performance. The Internal Audit Manager is a third tier post which is part of the Corporate Management Team. The Internal Audit Manager has an additional reporting line to the Borough Treasurer and Head of Assets, the Council's Section 151 officer.
- 4.2 There is a clear and overt understanding that the Internal Audit Manager has direct access to the Chief Executive, Leader of the Council and the Cabinet portfolio holder with responsibility for Internal Audit, as necessary and reports in his/her own name to the Governance and Constitution Committee. The Internal Audit Manager has a responsibility to all those charged with governance to give an annual opinion on the system of internal control.
- 4.3 In order to fulfil the internal audit function effectively, the Internal Audit Manager and other audit staff will develop positive relationships with the Internal Audit team in Cheshire West, in particular in regard to those services that are delivered on a shared services basis with this authority. The team will also develop positive working relationships with similar Internal Audit teams within local government and the wider public sector to ensure experience is shared and that continuous learning is achieved.

5.0 Organisational Independence

- 5.1 Internal Audit should be independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should not have any operational responsibilities.
- 5.2 To exercise this independence, Internal Audit has:
- The freedom to determine its own priorities
 - The freedom to report in its own name to all officers and members particularly those charged with governance
 - Unrestricted access to all levels of management, personnel, elected members, premises, records and assets, including those of partner organisations.
 - A right to be notified of any suspected fraud or irregularity. It is a requirement that all suspicions of fraud and irregularity are reported to internal audit as set out in the Anti Fraud and Corruption Strategy.
- 5.3 Internal Audit staff are required to sign annual confidentiality statements and to formally raise and register any declarations of interest or conflict of independence.

- 5.4 The Internal Audit Manager is responsible for a small “Compliance Team” who provide the authorities corporate advice on risk management, business continuity, freedom of information, data protection and other compliance related matters. This is a separate team and internal audit staff do not have responsibility for this work. The work of the team, where it is felt necessary having carried out a risk assessment to formulate the audit plan, will be audited as part of the usual audit procedures.
- 6.0 Resources
- 6.1 On an annual basis, the extent of audit coverage will be discussed and agreed with the Senior Management Team. The resources required to deliver the annual plan are agreed with the Head of Policy and Performance and the Borough Treasurer and Head of Assets.
- 6.2 Internal Audit must be staffed appropriately in terms of numbers, grades, qualification levels and experience. Internal auditors must be properly trained to deliver their service and should maintain an on going professional competence throughout a continuous development programme. This will be included as part of staff review processes as a means of formally assessing learning and development needs.
- 6.3 The level of audit coverage to be provided and the resources required will be presented (in summary form) to the Governance and Constitution Committee for approval.
- 7.0 Reporting by the Internal Audit Manager
- 7.1 The activities and progress of Internal Audit will be reported on at least a half yearly basis to the Governance and Constitution Committee. Regular progress reports will also be presented to the Head of Policy and Performance and Senior Management Team and discussed with the Portfolio holder with responsibility for Internal Audit.
- 7.2 An annual report and opinion will be prepared for the Governance and Constitution Committee, timed to support the production of the Annual Governance Statement. Arrangements are also in place for interim reports to be presented regarding issues that may impact on the Internal Audit Manager’s Annual Report and Opinion.
- 8.0 Responsibility in relation to Fraud related or other work outside the assurance role
- 8.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit must be notified of all suspected instances of fraud, corruption or impropriety. In addition internal audit will, where agreed with management and the necessary resources and expertise exists, go beyond the assurance responsibility and assist in the investigation or suspected fraud or corruption. This will be dependant on the nature of the investigation and an assessment of management’s

ability to complete the investigation effectively and in the best interests of the organisation.

- 8.2** The Audit section are committed to being proactive and making a difference to the authority. Wherever possible audit work will provide any relevant advice relating to value for money, efficiency or lean thinking which may go beyond the assurance role. In addition, the internal audit plan will contain an allocation of resource for “strategic review” which will provide a small number of reviews of Council services beyond the assurance role.
- 9.0** Relationship with the External Auditor
- 9.1** The Council’s external auditors, the Audit Commission, carry out regular reviews of the Internal Audit provision, and give an opinion of their work within the annual management and inspection letter. They use the work of internal audit to inform their own work, judging the extent to which they can place reliance on that produced by internal audit.
- 9.2** Regular meetings are held between the Internal audit service and the external auditors to establish the scope for joint working, and the co ordination of audit plans.
- 9.3** External Audit carries out a triennial review of Internal Audit, the results of which are presented to the Head of Policy and Performance, Section 151 officer and subsequently the Audit Committee and cabinet.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit and Compliance
Title: Internal Audit Strategy

1.0 Report Summary

- 1.1 This report advises the Committee on the content of the Internal Audit Strategy.

2.0 Recommendation

- 2.1 That the Committee be advised of the content of the Internal Audit Strategy as set out in Appendix A and to note that it will be amended following the publication of CIPFA's document *The Role of the Head of Internal Audit in Public Service Organisations*.

3.0 Reasons for Recommendation

- 3.1 All principal local authorities subject to the Accounts and Audit Regulations 2003 (as amended) must make provision for internal audit in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.2 In order to comply with the Code, the Head of Internal Audit and Compliance should advise the organisation on the content of the Strategy and the need for subsequent amendment. The Strategy, which was approved by the Governance and Constitution Committee in September 2009, can be found at Appendix A of this report. The Strategy is a high level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities. The Strategy should be kept up to date with the Council and its changing priorities.
- 3.3 It should be noted that following approval of the Strategy in September 2009, CIPFA has issued a consultation draft statement on the role of the head of Internal Audit in public service organisations. The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across all public services. It is intended to allow the Council

to benchmark its existing arrangements against a defined framework and to report publicly on compliance to demonstrate its commitment to good practice. It will, therefore, be necessary to revise the Strategy following the publication of the document in order to set out how the Head of Internal Audit will fulfil the prescribed role.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

**6.0 Policy Implications including – Climate Change
– Health**

6.1 Not applicable.

7.0 Financial Implications

7.1 The internal audit function supports the effective and efficient use of resources and the safeguarding of the Council's resources.

8.0 Legal Implications

8.1 Contained within the report.

9.0 Risk Assessment

9.1 Failure to formally define how the internal audit service will be delivered and developed could result in the service failing to contribute appropriately to the organisation it serves.

For further information:

*Portfolio Holder: Councillor David Brown
Officer: Vivienne Quayle, Head of Internal Audit
Tel No: 01270-685859
Email: vivienne.quayle@cheshireeast.gov.uk*

Background Documents:

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INTERNAL AUDIT STRATEGY

Cheshire East Council

“Providing a high quality, cost effective service, which adapts and responds to the authority’s needs and is delivered with professionalism, expertise and a sense of ambition “

September 2009

1.0 Internal Audit Strategy - Introduction

1.1 The overall strategy of Internal Audit is:

“to deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place on the internal control environment, and to make recommendation to improve it.”

1.2 The Terms of Reference of Internal Audit were approved by the Governance and Constitution Committee in June 2009. These are expanded upon and the measures in place to deliver these set out below.

1.3 The CIPFA Code of Practice for Internal Audit requires that the authority sets out its strategy to obtain high level commitment to:

- The way the statutory internal audit function is positioned within the authority
- The way strategic audit planning is carried out to provide the level of assurance required for the mandatory annual governance statement
- The contribution of internal audit in respect of corporate governance, risk management and internal control
- The risk-based approach to internal audit that underpins the strategic audit planning process

2.0 Definition, Objectives, Authority and Scope

2.1 This is made clear in the Terms of Reference but for clarity the key components are that:

- Internal audit is an assurance function that provides an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives.
- The scope of internal audit's remit includes the authority's entire control environment.
- The requirement for an internal audit function is laid out in various statutes and in particular the Accounts and Audit Regulations 2003 (amended) which states that a local authority must “maintain an adequate and effective system of internal audit”

3.0 Status and Position within the Organisation

3.1 Internal Audit is responsible to the Head of Policy and Performance for line management purposes. However, Internal Audit is independent in its planning and operation. The Head of Internal Audit is a third tier post.

3.2 The Head of Internal Audit has direct access to the Chief Executive, all levels of management and elected members. Internal Auditors shall have the authority to:

- Enter at all reasonable times any Council establishment
- Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary
- Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud.
- Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination
- Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control
- Access records belonging to third parties, such as contractors or partners, when required and appropriate.

4.0 Delivery of the Internal Audit Service

4.1 The Head of Internal Audit is responsible for delivering the audit service in accordance with its Terms of Reference. To ensure that this can be achieved, there are appropriate arrangements for:

- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of risk)
- Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills and support facilities, equipment and management and administration processes

4.2 The establishment of an effective in-house team with the use of external contractors some specialist areas (e.g. contract audit) is the overall model of delivery. A degree of reliance will be placed on the work of Cheshire West Auditors in relation to testing on some core systems as a result of the shared services arrangements. This relationship will be developed and appropriate quality assurance mechanism put in place to ensure Cheshire East receives an adequate level and quality of coverage.

4.3 The internal audit service is committed to a risk-based approach to internal audit in line with CIPFA's code of practice. The risk-based approach will extend to the fundamental financial systems of the authority and reflect the "managed audit" relationship between internal and external audit. Work will be carried out annually, using a testing methodology consistent with external audit requirements to satisfy this aspect of internal audit's role.

4.4 Internal audit will comply with the Accounting Practices Board "Guide for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Auditors in the UK. The Head of Internal Audit will ensure that there is an Audit Manual in place setting out expected standards for the service, and will

monitor compliance with these standards. Relevant training will be provided to ensure that auditors have the level of skills necessary to undertake their roles.

- 4.5 Internal audit's approach to audit is to undertake a continuous planning approach, assessing risk in-year and determining from this the audit requirements. The Head of Audit will produce an annual plan and will keep progress against the plan under review in conjunction with the Head of Policy and Performance and the Borough Treasurer and Head of Assets. This will also be part of the authority's performance management framework.
- 4.6 The plan sets out areas to be covered during the year and is split into five main themes; Corporate Governance, Core Systems, Key departmental systems, Anti-fraud and corruption activity and strategic reviews.
- 4.7 The plan is developed in conjunction with Directors, Heads of Service, risk management staff and emanates from the service and business plans of the Council.

5.0 Contribution to Corporate Governance, Risk Management and Internal Control

- 5.1 The Terms of Reference for Internal Audit specify that internal audit is an independent review function. The contribution that it makes to Corporate Governance, Risk Management and Internal Control arrangements reflect that role.
- 5.2 A key outcome of the annual programme of key systems work is to provide support for the Annual Governance Statement, reviewed by the Governance and Constitution Committee and signed by the Chief Executive and Leader of the Council.
- 5.3 The risk management arrangements of the authority are subject to audit on an on-going basis. The risk-based approach adopted by Internal Audit means that the risk management and audit approach are directly related and the evaluation of risk an integral part of each audit.
- 5.4 It is the professional judgement of the Head of Internal Audit that risk-based auditing is the most effective general approach. It is accepted, however, that this is not always the most effective approach e.g. where routine establishment based visits are required for consistency.
- 5.5 In order to demonstrate that assurance can be provided for the Annual Governance Statement (AGS), the internal audit annual report will;
 - Include an opinion on the overall adequacy and effectiveness of the council's governance and internal control environment
 - Disclose any qualifications to that opinion and the reasons for the qualification

- Present a summary of the audit work undertaken to formulate the opinion, including reliance place on the work by other assurance bodies

6.0 Relationships and Linkages

- 6.1 The significant reliance on shared services to provide core systems to the authority requires a close working relationship with Cheshire West and Chester Internal Audit section that goes beyond a usual networking relationship. This will be achieved through regular dialogue, a named auditor for all shared services liaison and a quality assurance process where reliance is placed on audits by non Cheshire East audit staff
- 6.2 In a high performing Council the link between Internal Audit and scrutiny is important. They are two distinct but complimentary functions of the authority in their contribution to the overall governance of the authority. The Framework for Good Governance highlights that the authority must “ develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible.” To prevent duplication and ensure issues relevant to the overall corporate governance of the authority are highlighted appropriately Internal Audit and the scrutiny function will maintain a regular and on-going dialogue. This will be achieved through the Head of Audit keeping abreast of key issues and outcomes raised by the scrutiny function and a sharing of any relevant internal audit findings with the scrutiny team.
- 6.3 An effective relationship with the Council’s external auditors is crucial to the success of both functions. This will be achieved through regular liaison meetings the Head of Audit and the Audit Manager (Audit Commission) and the maximisation of the scope for joint working.
- 6.4 Reliance on the outcomes of partner organisations to achieve the area’s objectives is becoming increasingly significant. The internal audit function will work with the partnership team to develop good governance arrangements and also build effective relationships with partner organisations particularly those strategic partners where joint outcomes are required.

7.0 Culture and Working Practices

- 7.1 Internal audit has the right of report to any level within the organisation including the Leader. However, most audit reports will be discussed at the Head of Service level with issues escalating to Corporate Management Team (CMT) based on a judgement of significance. This will also depend on the nature of the audit, particular if it is of a cross cutting nature where consideration by CMT may be essential.

- 7.2 Internal audit will actively promote strong ethical standards, behaviour and ways of working within the authority. The Head of Audit will be a member of the officer Corporate Governance Group and will encourage the development of Corporate learning and development focusing on ethics, values and an open and transparent approach to the authority's activities. Learning points from internal irregularities will be widely disseminated and action taken against those found to be perpetrating fraud or irregularity will be robust and incisive in accordance with the Anti Fraud and Corruption Policy.
- 7.3 Internal Audit will fulfil its statutory requirements and be integral to the overall culture of continuous improvement. Audit findings of an assurance nature will be complimented by other suggestions for improvement wherever these are identified and the audit mindset will always be one of adding value and integrating evaluation of risk and effective control with the overall vision of the Council to "Work together to improve community life."

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit and Compliance
Title: Whistleblowing Protocol

1.0 Report Summary

- 1.1 The Council's Whistleblowing Protocol has been reviewed against the *Whistleblowing Arrangements Code of Practice Publicly Available Specification 1998:2008* in order to ensure that it remains current, relevant, and reflects best practice. This report highlights a number of proposed changes to the protocol which are presented to the Committee for comment.

2.0 Recommendation

- 2.1 That the Committee consider and endorse, in principle, the proposed changes to the Council's Whistleblowing Protocol and to note that (i) in view of its implications for staff, that there will need to be consultation with the unions before the proposed amendments can be finalised and (ii) final approval for amendments to the Protocol will be for full Council to approve, following reference to and recommendation from the Constitution Committee, because it forms part of the Constitution.

3.0 Reasons for Recommendation

- 3.1 Employees are often the first to realise that there may be something seriously wrong within an organisation. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the organisation. They may also fear harassment or victimisation.
- 3.2 In order to mitigate this risk the Council introduced a whistleblowing protocol that is intended to encourage and enable all to raise serious concerns within the organisation rather than overlooking a problem.
- 3.3 The aim and scope of the protocol is to:

- provide avenues for staff and members of the public to raise concerns and receive feedback on any action taken
- inform whistleblowers how to take the matter further if they are dissatisfied with the response
- provide reassurance to whistleblowers that they will be protected from reprisals or victimisation for whistleblowing in good faith

Members are referred to the Protocol contained in Appendix A to this report.

- 3.4 The Public Interest Disclosure Act (PIDA) is known in the UK as the whistleblowing law. The Act provides that employers should not victimise any worker who blows the whistle in one of the ways set out in the legislation. Although there is no statutory requirement in the PIDA for organisations to have a whistleblowing policy the Government expects public bodies to have a policy in place and the whistleblowing schemes in local authorities in England are assessed regularly as part of their external audit and review.
- 3.5 Furthermore, it should also be noted that, under PIDA, the adequacy of an organisation's whistleblowing arrangements is one of the factors that tribunals and courts look at when they consider whether a wider public disclosure is protected under the legislation.
- 3.6 Finally, and importantly, regulators and the courts are increasingly looking at the adequacy of whistleblowing and other risk management arrangements to determine whether an offence has been committed by an organisation under regulatory or criminal laws, and is also a factor when determining the level of fine or penalty.
- 3.7 It is, therefore, necessary to regularly review the Council's Protocol to ensure that it remains compliant with best practice. As such the Protocol has been reviewed against the Publicly Available Specification (PAS) which sets out good practice for the introduction, revision, operation and review of effective whistleblowing arrangements. This is because the recommendations and guidance in the PAS are of particular relevance to public bodies.
- 3.8 The findings of the review are contained within Appendix B and the Committee is asked to endorse the proposed amendments to the Protocol and to note that, in view of its implications for staff, there will need to be consultation with the unions before the contents of the draft can be finalised.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

7.1 Unless employees have confidence in the Council's whistleblowing arrangements, they are likely to stay silent where there is a threat to the employer or the wider public interest. Such silence denies the organisation the opportunity to deal with a potentially serious problem before it causes real damage. The costs of such a missed opportunity can be great in terms of fines, compensation or higher insurance premiums.

8.0 Legal Implications

8.1 The Public Interest Disclosure Act 1998 protects employees against detrimental treatment or dismissal as a result of any disclosure of normally confidential information in the interests of the public. The Act only covers protected disclosures under six categories, namely; crime, illegality, miscarriage of justice, damage to health and safety, damage to the environment, and 'cover-ups' about these issues.

8.2 To obtain protection employees must first disclose the information to the employer or to a body prescribed by the Secretary of State for the purposes of receiving such information. A list of the prescribed bodies is available on the government's website, along with a useful Guide on the Act.

8.3 The Council has introduced this Whistleblowing Code and procedure in line with the Act.

9.0 Risk Assessment

9.1 Without clear arrangements which offer employees safe ways to raise a whistleblowing concern, it is difficult for an organisation to effectively manage the risks it faces.

For further information:

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Background Documents:

Whistleblowing Arrangements Code of Practice Publically Available Specification
1998:2008

WHISTLE BLOWING PROTOCOL

CONTENTS

- 1.0 INTRODUCTION
- 2.0 PURPOSE AND SCOPE
- 3.0 LEGISLATION
- 4.0 SAFEGUARDS
 - 4.1 Harassment or victimisation
 - 4.2 Confidentiality
 - 4.3 Anonymous allegations
 - 4.4 Untrue allegations
- 5.0 PROCEDURES
 - 5.1 Raising a concern
 - 5.2 How the Council will respond
 - 5.3 The Responsible Officer
 - 5.4 If you are not satisfied with the Council's response

1.0 INTRODUCTION

- 1.1.1 As an employee, Member or contractor, supplier to or consultant with, the Council you may, from time to time, witness practices that seem suspicious. However, you may be deterred from expressing your concerns because you fear harassment or victimisation. You may feel that it may be easier to ignore the concern rather than to report your suspicions.
- 1.1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns without fear of reprisals. This policy document makes it clear that you can do so, without the fear of victimisation, subsequent discrimination or disadvantage.
- 1.1.3 These procedures are intended to encourage and enable you to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside. Premature or unnecessary publicity may damage the Council's reputation, impede proper investigations, or hurt individuals unnecessarily.
- 1.1.4 A Member shall not disclose confidential information, using the public interest exemption in the Council's Member Code of Conduct without first considering using the procedure in this Whistle Blowing Protocol to raise concerns about an issue, unless it is necessary for the disclosure to be made to the Police or a Regulatory Body.

2.0 PURPOSE & SCOPE

- 2.1.1 These procedures have been introduced to provide employees, Members and contractors, suppliers or consultants with a secure basis for reporting suspicions of impropriety, in the knowledge that the matter will be treated confidentially.
- 2.1.2 This policy covers the reporting of a malpractice, the information that will need to be recorded and the steps that need to be followed to ensure that you do not suffer any recriminations or victimisation.
- 2.1.3 These procedures are intended to supplement, rather than replace, existing Council policies and procedures (for example the Council's grievance procedures and the policies dealing with harassment) whereby employees of the Council may already raise complaints or matters of genuine concern with the Council. They are therefore designed to provide for those instances where the person reporting the matter feels that, for any reason, they cannot make use of other procedures.

2.1.4 This policy has been designed to take into account Human Rights considerations.

2.2 CONTRACTORS, SUPPLIERS AND CONSULTANTS

2.2.1 In your dealings with the Council you will often work very closely with Council employees and Councillors. You will also operate under the Council's procedures and policies. The Council is fully aware that if you notice anything suspicious, or come across malpractice, you may be concerned about your relationship or future relationship with the Council if you raise this. As with employees and Councillors, the Council wants to encourage you to voice any concerns you may have, secure in the knowledge that the matter will be taken seriously and investigated, and that you and your organisation will not suffer any disadvantage.

3.0 LEGISLATION

3.1.1 The Public Interest Disclosure Act 1998 has been introduced to protect employees who expose serious wrongdoing in the workplace. It applies where a malpractice is disclosed involving:-

- a crime or breach of regulatory, administrative and common law;
- a miscarriage of justice;
- danger to health and safety;
- damage to the environment;
- unauthorised use of public funds;
- possible fraud and corruption; and
- sexual, physical or financial abuse of clients

3.1.2 The Act protects you from victimisation where you reasonably believe the information, and are acting in good faith.

3.1.3 A disclosure is protected if you have an honest and reasonable suspicion that a malpractice has occurred, is occurring or is likely to occur. As an employee you can raise the matter with your line manager who will refer it to one of the named below, or if you prefer direct to:-

- Head of Paid Service;
- Monitoring Officer;
- [Relevant Director];
- [Audit Manager].

3.1.4 Councillors can report suspicions to:-

- Head of Paid Service
- Monitoring Officer
- [Relevant Director];
- [Audit Manager]

A confidential record will be maintained by the [Audit Manager] of all concerns raised (except if the complaint is against the [Audit Manager's] Team).

- 3.1.5 It is important to note that in response to concerns raised with any of the above, they will initially act independently of each other when making investigations, except for the Audit Manager who may be asked to carry out the investigation.

4.0 SAFEGUARDS

4.1 HARASSMENT OR VICTIMISATION

- 4.1.1 The Council is committed to good practice and high standards, and wants to be supportive of employees.
- 4.1.2 The Council recognises that the decision to report a concern can be a difficult one to make. It will not tolerate any harassment or victimisation and will protect you if you raised a concern in good faith.
- 4.1.3 If you happen to be already involved in any disciplinary or redundancy procedures these will be kept separate from the investigation of your complaint.

4.2 CONFIDENTIALITY

- 4.2.1 The Council will protect the confidentiality of all matters raised by concerned employees and Councillors.
- 4.2.2 If there is any breach of confidentiality by any of the four named officers in paragraph 3.1.3, the employee raising the concern can take the appropriate action under the grievance procedures.

4.2.3 ANONYMOUS ALLEGATIONS

- 4.3.1 This policy encourages you to put your name to your allegation whenever possible.
- 4.3.2 This is because concerns expressed anonymously are much less powerful than those raised by an identified individual. Anonymous allegations will, however, be considered at the discretion of the Council.
- 4.3.3 In exercising this discretion the factors to be taken into account would include:-
- the seriousness of the issues raised;
 - the credibility of the concern; and

- the likelihood of confirming the allegation from attributable sources.

4.4 UNTRUE ALLEGATIONS

- 4.4.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, as an employee you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you. In the case of Members, the Standards Committee will consider the matter and make recommendations to the Council.

5.0 PROCEDURES

5.1 RAISING A CONCERN

- 5.1.1 You can raise your concern orally, (i.e. face to face or over the phone) or in writing. If you write, mark the envelope 'personal, private and confidential' and if the concern is of a serious nature, hand deliver the envelope to the person you wish to report the matter to.
- 5.1.2 Whichever way you choose, please give as much information as you can. Remember also to give your name, job and say if you do not want to be contacted at work (if so, give your home address and phone number).
- 5.1.3 You should include the following:-
- background information;
 - information as to why you are concerned;
 - details of any other procedures which you have already used, and what happened;
 - the names of the employee/Members involved and where they work (if applicable);
 - dates or periods of time relating to the matter;
 - the names and jobs of any other employees/Members who may support your concern.
- 5.1.4 The earlier you express your concern, the easier it will be to take action.
- 5.1.5 Although you will not be expected to prove beyond doubt the truth of an allegation, you will need to demonstrate that there are reasonable grounds for the concern.
- 5.1.6 You may find it easier to raise the matter jointly if there is another employee/Member who has the same concern, and will support your allegation.

- 5.1.7 You would be advised to invite your trade union representative, or another person, to be present during any meetings or interviews in connection with the concern raised. In this case you can remain anonymous when the concern is first raised, but you may have to be involved personally if the matter goes further.

5.2 HOW THE COUNCIL WILL RESPOND

- 5.2.1 One of those named in paragraphs 3.1.3 will firstly decide whether to carry out an investigation and determine which Council procedure it is appropriate to use.

- 5.2.2 If it is decided that the matter should be taken further under Whistleblowing procedures, the concern raised will be:-

- investigated by the Monitoring Officer, Management or [Internal Audit];
- referred to the police;
- referred to the external auditor;
- considered to become the subject of an independent inquiry;
- considered under the Council's Member Code of Conduct.

You may be interviewed by the person investigating the matter.

- 5.2.3 In order to protect individuals accused of a possible malpractice, enquiries will be made to decide whether an investigation is appropriate. Some concerns may be resolved by agreed action without the need for an investigation. If urgent action is required, this will take place before an investigation is undertaken.

What You Will be Told

- 5.2.4 The person to whom you have raised your concern will contact you in writing within 10 working days detailing the following:

- acknowledging that the concern has been received;
- indicating how the Council intends to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- detailing any initial enquiries that have been made; and
- informing you whether further investigations will take place (and if not, why not).

- 5.2.5 The amount of contact you have with the people considering the matter will depend on the type of concern, the potential difficulties of the investigation and the availability of information. Wherever possible, you will be told the final outcome of any investigation.

- 5.2.6 The Council will take steps to minimise any difficulties you may experience as a result of raising a concern. For example, if required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice about the procedure.

5.3 THE RESPONSIBLE OFFICER

- 5.3.1 The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this policy.

5.4 IF YOU ARE NOT SATISFIED WITH THE COUNCIL'S RESPONSE

- 5.4.1 This procedure is meant to give everyone an effective way to raise a concern within the Council (and if possible resolve it internally). However, if you are still unhappy after using the procedure (and getting a final written response) you are entitled to consider taking your concern elsewhere. If you do this, these are some of the contacts that are available:

- the Council's external auditors [insert link/contact details]
- UNISON Whistle blowing Hotline – 0800 597 9750
- Audit Commission Anti Fraud and Corruption Unit – 020 7630 1019
- The independent charity Public Concern at Work – 020 7404 6609
- a Citizens Advice Bureau
- the Standards Board for England – 0845 0788181
- a relevant professional or regulatory body
- a relevant voluntary organisation
- the police

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Report to Audit and Governance Committee
Review of Whistleblowing Protocol
17 November 2010

1.0 Purpose of This Report

- 1.1 The purpose of this report is to update Members on the outcome of the recent review of the Whistleblowing Protocol and to obtain agreement in principle for the proposed changes required to bring the Protocol in line with best practice.

2.0 Review of Cheshire East Council Whistleblowing Protocol against Best Practice Guidance

- 2.1 In recent months a number of issues have been raised via the Whistleblowing Protocol that were subject to some discussion as to whether or not they actually constituted Whistleblowing matters. These included reports from members of the public that were more suited to the complaints process, issues involving schools that should be dealt with via the school's own policy and personnel issues that should have been addressed through the Dignity at Work policy.
- 2.2 As a result of these discussions, a review has been carried out against the Whistleblowing Arrangements Code of Practice Publicly Available Specification (PAS) 1998:2008.
- 2.3 The PAS was developed by Public Concern at Work, the independent authority on public interest Whistleblowing, in collaboration with the British Standards Institution (BSI).
- 2.4 The code of practice states that good Whistleblowing arrangements will include the following six elements and it is against these elements that the current Protocol has been reviewed;
- Provide examples distinguishing whistleblowing from grievance
 - Give employees the option to raise a Whistleblowing concern outside of line management
 - Provide access to an independent helpline offering confidential advice
 - Offer employees a right to confidentiality when raising their concerns
 - Explain how and when a concern may safely be raised outside of the organisation
 - Provide that it is a disciplinary matter (a) to victimise a bona fide whistleblower, and (b) for someone to maliciously make a false allegation

3.0 Findings and Recommended Actions

3.1 Although the Whistleblowing Protocol states that the Council has a grievance procedure and policies for dealing with harassment, it does not provide examples of the type of issues that should be reported through it. The guidance supporting the Protocol on both the intranet and internet site give a list of the type of issues that could be reported using the Protocol but these examples include bullying or abuse of employees which the code of practice advises are not issues that are effectively dealt with under Whistleblowing policies and that existing grievance/dignity at work policies should be used in these instances.

Recommendation1

The Whistleblowing Protocol should be updated to include examples of issues that should be reported and distinguish between those covered by other policies. In doing so, bullying or abuse of employees should be removed from the list of examples provided online.

3.2 Although this is covered in section 3.1.3 of the Protocol there is an anomaly in that it clearly states that the Protocol is available for members of the public to report concerns. Good practice is clear in stating that whistleblowing should be available for *employees* to raise concerns and that members of the public should utilise the established complaints process.

3.3 The online guidance provides three alternative means of reporting concerns outside of line management but the Protocol does not identify how reports will be collated to ensure consistency in the way in which they are handled.

Recommendations 2 - 4

The Whistleblowing Protocol should be updated to remove references to its use by members of the public, and, in doing so specific reference should be made to the Complaints Procedure.

Consideration should also be given as to whether appropriate processes are in place to ensure that all Whistleblowing reports received via the various means are collated and dealt with consistently.

As a result of removing access to the Protocol from members of the public it is important to ensure that the Complaints Policy covers the reports that may be received and that staff operating it are aware of the changes and how to action any such reports.

3.4 Although details of external contacts are provided in the Protocol and both of the online sites, they do not specifically mention that advice is available and also state that they should only be used once the whistleblower has attempted to resolve their issue internally.

Recommendation 5

The Whistleblowing Protocol should be updated to clearly state that confidential, independent advice is available from the Public Concern at Work helpline. A link to their website should also be provided as this contains additional information for potential whistleblowers. It should also be made clear that advice is available regardless of whether a concern has already been raised.

3.5 Although the right to confidentiality when making a report is covered in section 4.2 of the Protocol and also in both of the online resources, it is important that this right is made more explicit as this protects the authority from committing breaches of EU Data Protection regulations in relation to anonymous whistleblowing reports.

3.6 The way in which a report may be made outside of the organisation is covered in section 5.4.1 of the Protocol and also in the online pages, however, as previously indicated in regard to the independent helpline, it is stated that these routes should only be used once the internal procedure has been exhausted.

Recommendation 6

The Whistleblowing Protocol should be updated to clearly state that whilst it is hoped that in the event of someone wishing to raise a concern, they would have sufficient confidence in the internal procedures to utilise the Whistleblowing Protocol in the first instance, they also have the option of raising their issues with the stated outside bodies.

3.7 Section 4.1 of the Protocol states that the council will not tolerate any harassment or victimisation and that they will protect anyone making a concern in good faith. It does not however, state that the act of harassment or victimisation will be considered a disciplinary matter.

3.8 Section 4.4 of the Protocol confirms that disciplinary action may be taken against any employee found to have made an allegation frivolously, maliciously or for personal gain. Similarly the online resources confirm that action may be taken against anyone making vexatious reports but simply states that the council will protect whistleblowers against victimisation and harassment.

Recommendation 7

The Protocol should be updated to clearly state that anyone found to be subjecting a bona fide whistleblower to any form of victimisation or harassment will be dealt with under the council's disciplinary procedure.

4.0 Further areas for improvement identified during the review

4.1 In carrying out the review of the Protocol the following areas for improvement were identified and should be addressed as part of the exercise to bring the Protocol in line with the PAS.

4.2 Although the Protocol states that people are encouraged to put their name to reports it does not actively discourage the making of anonymous reports and the online guidance provides suggestions as to how anonymous reporters may still be able to receive feedback by providing an email address or telephone number. This is not in line with good practice and has, it would appear, been included to comply with the Sarbanes-Oxley Act. Unfortunately, this act covers American organisations and contradicts EU Data Protection authorities' guidance on Whistleblowing schemes;

"As far as data protection rules are concerned, anonymous reports raise a specific problem with regard to the essential requirement that personal data should only be collected fairly. As a rule, the Working Party considers that only identified reports should be communicated through whistleblowing schemes in order to satisfy this requirement...(and) that whistleblowing schemes should be built in such a way that they do not encourage anonymous reporting as the usual way to make a complaint. In particular, companies should not advertise the fact that anonymous reports may be made through the scheme."

Article 29 Guidance on Whistleblowing Schemes (2006) WP117, para.119

4.3 The PAS states that the additional obligations set out in guidance issued by the EU data protection authorities is not intended to apply to schemes that do not promote anonymous reporting but build on existing management, audit and compliance controls.

Recommendation 8

The Protocol and online guidance should be amended to actively discourage anonymous reports by providing additional assurances that reports will remain confidential unless;

- *The whistleblower wishes their name to be divulged, or*
- *The report is found to be clearly false or malicious, or*

- *Disclosure is ordered by the courts.*

4.4 It should also be clear that anonymous reports may not be acted upon, no feedback will be given and that the person will be informed that an anonymous report has been made about them and that it is usually possible for them to work out who the report is off.

4.5 The Protocol fails to define Whistleblowing and the description of its purpose is incorrect as it states that it is for people who do not feel that they can use other reporting means to raise concerns.

Recommendation 9

The Protocol should clearly state its purpose and signpost employees to alternative policies such as Complaints, Grievance and Dignity at Work. This should address the issues that are currently arising whereby concerns are being raised through Whistleblowing rather than the most appropriate reporting lines.

4.6 The Protocol does not clearly allocate responsibility for the management and investigation of concerns and the multiple contacts provided may lead to an inconsistent approach to decision making and investigations.

Recommendation 10

A decision should be made as to who is responsible for the receipt and allocation of concerns raised. This responsibility should extend to ensuring that all reports are recorded centrally and a consistent approach is taken to the handling of reports.

4.7 The Protocol does not contain a lot of detail and as such is not sufficiently robust to provide assurance to potential whistleblowers that appropriate action will be taken to investigate their concerns. In addition it does not provide details of how to access other policies should the reader decide that their concern should be reported via other means.

Recommendation 11

The Protocol should be updated to include additional detail and links to alternative ways of reporting concerns. In addition, members of the public should be advised that they should use the Complaints process for raising issues.

4.8 There have been a number of reports received about issues at schools which should have been dealt with via the individual school's Whistleblowing Policy. Several of these reports were in relation to personnel matters which should have been raised with either HR, or the Union, if the employee was dissatisfied with the way in which the school handled their complaint.

Recommendation 12

The section of the Protocol, and online guidance, relating to schools should be updated to provide additional details as to the way in which reports regarding schools should be made. This should include giving advice that for personnel related issues it may be advisable to contact the union who have established links with HR to take such issues forward.

5.0 **Conclusion**

5.1 The current Whistleblowing Protocol does not meet best practice guidelines and is not operating effectively which is demonstrated by the fact that reports are being received via the Protocol that are either from members of the public, schools or simply aren't Whistleblowing matters. In addition, the failure to actively discourage anonymous reports leaves the Council at risk of breaching EU data protection regulations.

5.2 In order to ensure that the Protocol is fit for purpose it is recommended that it is subject to a rewrite in line with the PAS and that the online guidance is updated to reflect the new Protocol. Upon completion of this exercise the updated Protocol will be subject to consultation with the unions with a view to presenting it at the 25 January 2011 Audit and Governance Committee.

5.3 As the whistleblowing Protocol is part of the Constitution the new Protocol will also need to be presented to Constitution Committee and ultimately receive approval from Council.

5.4 Once the Protocol has been approved it is proposed that it be re-launched to ensure that all staff, members and contractors are aware of the changes and to raise awareness of the way in which concerns can be reported.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 17 November 2010
Report of: Customer Relations Manager
Title: Six Month Review of Corporate Compliments, Suggestions and Complaints Procedures

1.0 Report Summary

- 1.1 This report provides a summary of performance during the first and second quarters against the defined Corporate Compliments, Suggestions and Complaints policy and procedure. It also summarises the performance of complaints received under the Adult Social Care Complaints Procedures and the Children's Social Care Complaints Procedures.

2.0 Recommendation

- 2.1 That having regard to the parameters of the Committee's terms of reference as outlined in this report, the Committee notes this report and makes any further response it considers appropriate.

3.0 Reasons for Recommendations

- 3.1 That according to the Terms of Reference for this Committee, a summary report on both Local Government Ombudsman complaints and customer complaints is submitted to the Committee in order that it can seek assurance that arrangements are robust

4.0 Wards Affected

- 4.1 All.

5.0 Local Ward Members

- 5.1 All.

6.0 Policy Implications

- 6.1 Adherence to the Corporate Compliments, Suggestions and Complaints Policy.

7.0 Financial Implications

- 7.1 If maladministration causing injustice is found, Cheshire East Council can be asked to pay compensation to a complainant. A compensation payment is also possible where a matter is settled prior to a formal finding by the Ombudsman.

8.0 Legal Implications

- 8.1 The Committee's terms of reference as set out in the Constitution includes seeking assurance that customer complaint arrangements are robust.

9.0 Risk Management

- 9.1 In addition to other measures within the Council's management structure, the remit of this Committee contributes towards the management of risk in handling complaints, and the promotion of good practice.

10.0 Background and Options

- 10.1 The new Corporate Compliments, Suggestions and Complaints policy and procedure came into effect from 1st April 2010. The new policy is reduced to two stages, with the first stage investigated by the service that caused the dissatisfaction, and the second stage, or appeal, investigated by an Officer independent to the service that is being complained about. The new policy also provides improved definition of roles and responsibilities and improved guidance in dealing with unreasonable and unreasonably persistent complainants.
- 10.2 Complaints, suggestions and compliments management information is collated on a monthly basis. Such information highlights trends and areas of concern. A summary report on both Local Government Ombudsman (LGO) complaints and customer complaints is submitted quarterly to the Corporate Management Team and to every Standards Committee. The information is used to detect emerging trends and highlight areas of concern.

10.3 Individual Service Performance

Service	Q1		Q2			
	Completed stage 1 complaints	Average days to complete	Completed stage 1 complaints	Average days to complete	Number of ongoing complaints	Average number of days since received
Planning & Performance	1	1	1	3		
Adult Social Services	-	-	6	3	1	16
Environmental Services	162	5	138	4	7	26
Safer & Stronger Communities	25	6	9	4		
Customer Services	40	7	30	4		
Housing Benefits	20	11	37	4		
Children & Families	3	7	4	5		
Finance	-	-	1	5		
Regeneration	-	-	9	6	1	18
Health & Wellbeing	79	6	48	7	7	38
Legal & Democratic Services	12	10	2	7		
Housing Strategy	-	-	9	7		

Service	Q1		Q2			
	Completed stage 1 complaints	Average days to complete	Completed stage 1 complaints	Average days to complete	Number of ongoing complaints	Average number of days since received
Council Tax	42	9	36	8		
Communications	4	3	2	9		
Planning Services	47	9	27	12	7	43
ICT	-	-	1	15		
HR	-	-	1	18		
Registrars	4	2	-	-		

Note: All performance data is provided as of 21/10/2010 as it is not possible to run historical reports in the existing Complaints database.

10.4 Q1 Performance Highlights

- During the first quarter, 453 new complaints were received. By 13th July, 414 (91%) had been responded to and closed.
- 342 (83%) of the 414 closed complaints were responded to within the target resolution time of 10 days.
- 9 Stage 2 Complaints were investigated. The average investigation time was 46 days, against a target of 20 working days. Some of the delay can be explained by delays in initiating the stage 2 process and identifying the independent reviewer.
- 32 complaints were carried over from 2009/10 (managed under the previous policy). Only 31% were answered on time.
- 59 Compliments were received. The training sessions have encouraged officers to officially recognise when customers complimented a service, as a result the compliments have increased by 86%.
- 34 suggestions were received.
- The Local Government Ombudsman asked us to investigate 8 complaints in the first quarter. The LGO discontinued 3 investigations due to lack of evidence. In 2 cases they found no maladministration and we are awaiting their decision on the 3 remaining cases.

10.5 At the end of April and May 2010, only 60% of complaints were responded to within the agreed target of 10 days, but following investigation by the Customer Relations team, it was established that many complaints had been resolved with the customer, but the database had not been updated. It is important that Complaints Coordinators update the database, or notify the Customer Relations team if they do not have access, so that it is possible to measure performance in responding to complaints and have an accurate audit trail in cases where the complaint is escalated to the Local Government Ombudsman.

10.6 Q2 Performance Highlights

- During the second quarter of the year, 384 complaints were received. By 21st October, 361 (94%) had been answered and closed down.
- The average response time is 7 days – well within the target resolution time of 10 days.
- 12 complaints were escalated to Stage 2 of the Complaints Procedure.

- 8 to Planning Services (of which 4 are ongoing)
- 1 to Adult Social Care
- 2 to Council Tax
- 1 to Regeneration (which is ongoing)
- We received 21 complaints from the LGO (compared to 8 in Q1)
 - 6 have been discontinued
 - 5 are premature complaints
 - 2 have been closed,
 - 5 await decision
 - 3 are ongoing
- Therefore the LGO have not found maladministration within any Council Service in Q2.
- However, the LGO have found maladministration in an Adult Care Complaint which was received in Q1. They have asked us to pay £250 compensation to the complainant.
- We are still waiting on 2 decisions from LGO complaints received in Q1.
- 120 compliments were received (compared to 59 in Q1) and 62 suggestions were received (compared to 34 in Q1).

10.7 Children's Social Care Complaints 01/04/2010 – 30/09/2010

- Since 1st April 2010, 12 new Children's Social Care Complaints have been made as follows: April 2; May 4; June 1; July 0; August 2; September 3
- Of these, 7 have been resolved at Stage 1 (although 2 received in April were responded to outside the statutory deadline), 1 has been escalated to Stage 2 (and is ongoing) and the 4 most recent cases are still ongoing.
- At 1st April 2010, there were 5 ongoing complaints. 2 had been reinstated following suspension of the complaints (1 at stage 1 and 1 at stage 2).
- 2 are ongoing Stage 2 complaints.
- The final complaint has recently been resolved without having had to go through Stage 2 of the Children's Social Care Complaints Procedure.
*Performance data as at 30/09/2010.
- 2 comments were received and 2 compliments were received.

10.8 Adult Social Care Complaints 01/04/2010 – 30/09/2010

- Since 1st April 2010, 73 new Adult Social Care Complaints have been received as follows: April 13; May 7; June 7; July 12; August 14; September 20 (of these 6 were about the introduction of new uniforms for care staff).
- 52 out of the 73 complaints were completed by 30/09/2010. The average response time being 16 days.
- As at 30/09/2010, 21 investigations were still ongoing. The average number of days since they were received being 41.
- 200 compliments were received

For Further Information

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit and Compliance
Title: Work Plan

1.0 Report Summary

- 1.1 To present an updated Work Plan to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:
- consider the Work Plan and determine any required amendments
 - note the changes made to the plan since it was last discussed in September 2010
 - note that the plan will be periodically brought back to the Committee for development and approval

3.0 Reasons for Recommendation

- 3.1 A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities has been attached at Appendix A of this report. The Committee is asked to consider the contents of the Work Plan and establish any additional agenda items/training/briefing sessions that will enable it to meet its responsibilities. In doing so it should be noted that the following changes have been made to the programme that was discussed in September 2010:
- a training session on performance management has been included for January 2011 at the Committee's request
 - the terms of reference for Internal Audit will be amended and put to the Committee for approval following publication of CIPFA's '*The Role of the Head of Internal Audit in Public Service Organisations*'

- a revised Internal Audit Strategy will be put to the Committee for approval, but not direction, following publication of CIPFA's '*The Role of the Head of Internal Audit in Public Service Organisations*'
- a final draft of the Whistleblowing Protocol will be presented to the Committee taking into account the findings of the review of the existing policy as presented to this Committee, comments from members and the outcome of consultation with the unions
- the outcomes of a review of the Anti Fraud and Corruption Policy against best practice guidance, as stated in CIPFA's '*Managing the Risk of Fraud – Red Book 2*', will be presented for consideration and comment prior to the production of an updated strategy document. It had initially been intended that this piece of work be presented to this committee; however, as a result of the requirement to consult with HR and the unions and their current workload in relation to the harmonisation of terms and conditions, a decision has been taken to carry out the review during December 2010, with a view to reporting to the 25 January 2011 Committee

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications including – Climate Change – Health

6.1 Not applicable.

7.0 Financial Implications

7.1 When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

8.0 Legal Implications

8.1 None directly from this report.

9.0 Risk Assessment

9.1 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an effective audit committee can:

- raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- increase public confidence in the objectivity and fairness of financial and other reporting
- reinforce the importance and independence of internal and external audit and any other similar review process
- provide additional assurance through a process of independent and objective review

For further information:

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Background Documents:

A Toolkit for Local Authority Audit Committees – The CIPFA Better Governance Forum 2006
CIPFA's Audit Committees – Practical Guidance for Local Authorities

Work Plan 2010/11

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<u>30 September 2010</u>	
Work Plan	The programme of meetings and agenda items was noted.
Internal Audit Update	The emerging issues contained within the report were noted and the audit approach for the remainder of 2010/11 was endorsed.
Review of Internal Audit	Management's response to the external review of Internal Audit by the Audit Commission was noted.
Annual Governance Report, Auditors' report on Financial Statements and Value for Money conclusion.	The Committee received the 2009/10 Annual Governance Report produced by the external auditor and approved the final Statement of Accounts for 2009/10.
<u>17 November 2010</u>	
Final Account Memorandum	This report provides the Council with the detailed messages from the audit of the 2009/10 main financial statements, with the aim of helping the Council to improve the quality of its financial statements in future years.
Code of Corporate Governance	The Committee is responsible for developing the Council's Code of Corporate Governance which is used as a basis for self-assessment, continuous improvement and as a contributor to producing the AGS. Hence it needs to approve any proposed changes to it.
Risk Management update report	The Risk Management function report addresses whether best practice is being followed in the Council's management of its risks and how new risks are identified and existing risks are changing.
Annual Governance Statement 2010/11	The Accounts and Audit Regulations (2003 as amended) require the production of an Annual Governance Statement. This report aims to agree the process for producing the AGS with Members.

Work Plan 2010/11

Internal Audit Terms of Reference	The purpose, authority and responsibility of Internal audit are formally defined in the terms of reference. The report advises the Committee of the documents content.
Internal Audit Strategy	This is a statement of how the internal audit service will be delivered and developed in accordance with the terms of reference. The report advises the Committee of the documents content.
Whistleblowing Protocol	The Committee is responsible for reviewing the implementation of the Council's whistleblowing policy. Hence it needs to be aware of and endorse any proposed changes to the Strategy.
Customer Complaints	The Committee is charged with seeking assurance that customer complaint arrangements are robust. This report provides a summary of performance during the second quarter against the defined Corporate Compliments, Suggestions and Complaints policy and procedure.
Work Plan	<p>A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.</p> <p><i>A training session on risk management is scheduled after the meeting</i></p>
<u>25 January 2011</u>	
Internal Audit Update	The purpose of this report is to facilitate compliance with the requirements of the Code of Practice for Internal Audit and, consequently, it provides Members with emerging issues in respect of the whole range of areas to be covered in the formal annual report. It enables the Committee to monitor Internal Audit's performance.
Opinion Plan	The Plan identifies the work that is planned by the External Auditor to give an opinion on the Council's Financial Statements for the financial year 2010/11.
Annual Audit Letter	The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public,

Work Plan 2010/11

	the key issues arising from the external auditors' work, which they consider should be brought to the attention of the Council. The annual audit letter covers the work carried out since the previous annual audit letter was issued.
Grants Report to those charged with Governance	External Auditors are required to report annually on the issues, amendments and qualifications arising from certification work of grant claims and returns. This report is important because it gives feedback on how effectively the Authority is managing the grants and subsidies it receives and administers.
Risk Management Strategy & Business Continuity Strategy	In considering the effectiveness of the Authority's risk management arrangements the Committee must be aware of the Risk Management Strategy and any proposed changes to it.
Business Continuity Update	The Committee will be made aware of how the authority manages its own contingency and business recovery plans.
AGS Action Plan	The Committee will be asked to note the progress made in implementing the Annual Governance Statement (AGS) action plan for 2009/10. Failure to consider and monitor the AGS action plan could result in agreed improvements to the governance arrangements not being implemented.
Update on IFRS	The Committee will be asked to note the progress made on the IFRS Action Plan.
Counter Fraud Corruption	The Committee is responsible for overseeing the implementation of the Council's Anti Fraud and Corruption Policy and Strategy. Hence the Committee needs to be aware of and endorse any changes to the strategy.
Anti Fraud & Corruption	In order to comply with a number of International Standards on Auditing, external audit are required to obtain the Audit Committee's understanding of the following:

Work Plan 2010/11

<p>Freedom of Information and Data Protection</p> <p>Work Plan</p>	<p>1) Management processes in relation to:</p> <ul style="list-style-type: none"> • undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud • identifying and responding to risks of fraud in the organisation • communication to employees of views on business practice and ethical behavior • communication to those charged with governance the processes for identifying and responding to fraud <p>2) How the Committee oversees management processes to identify and respond to the risk of fraud and possible breaches of internal control</p> <p>3) How the Committee is made aware of actual, suspected or alleged frauds</p> <p>4) How it gains assurance that all relevant laws and regulations have been complied with.</p> <p>The Freedom of Information and Data Protection Acts are seen as essential elements of the regulatory framework within which the Authority works. This report will provide Members with an update with regard to FOI and DP issues.</p> <p>A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.</p> <p><i>A training session on performance management is scheduled for this meeting</i></p>
<p><u>29 March 2011</u></p> <p>Internal Audit Plan for 2011/12</p> <p>Regulation of</p>	<p>The Head of Internal Audit must prepare a risk-based audit plan designed to implement the audit strategy that is fixed for a period of no longer than one year. The Committee is responsible for approving (but not directing) the plan.</p> <p>The RIPA annual report that is submitted to the</p>

Work Plan 2010/11

Investigatory Powers Act (RIPA)	<p>Committee includes:</p> <ul style="list-style-type: none"> • details of the overall number and type of authorisations granted • the outcome of the case, where known • a breakdown of the same information by service or groups of services, as appropriate • the results of the most recent inspection carried out by a representative of the Office of Surveillance Commissioners, where applicable (inspections may not take place annually).
Risk management update	The Risk Management function will report on whether best practice is being followed in the management of risk and how new risks are identified and existing risks are changing.
AGS update	The Committee will be asked to note the progress made in implementing the Annual Governance Statement (AGS) action plan for 2009/10. Failure to consider and monitor the AGS action plan could result in agreed improvements to the governance arrangements not being implemented.
Governance	The Council's management is responsible for the governance arrangements (including the system of internal control). Periodically, management should assure the audit committee that the arrangements prescribed by the Code of Corporate Governance and described within the AGS are operating effectively. The Committee must be informed of any major changes made to the arrangements.
Anti Fraud & Corruption	The anti-fraud and corruption strategy includes a series of measures designed to prevent any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. Periodically Internal Audit should assure the Committee that the measures prescribed by the strategy are operating effectively.
Whistleblowing	The whistleblowing policy includes a series of measures designed to encourage staff to raise concerns and the steps to be taken to investigate such concerns. Periodically Management should assure the audit committee that the policy is operating effectively.

Work Plan 2010/11

Work Plan	A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
<u>Unallocated</u>	
Insurance	The Committee is responsible for, overseeing and agreeing the arrangements for Members to be indemnified for and insured against risks and liabilities arising from the performance of their duties as Members of the Council, and as the Council's representatives on outside bodies.
Anti-Money Laundering	<p>The Council is required to have procedures in place for the detection and disclosure of incidents of suspected money laundering and terrorism financing. This Policy aims to establish prudent and responsible anti-money laundering controls and reporting arrangements designed to detect and avoid involvement in the offences described in Regulations The Policy is considered by the Committee before approval by Cabinet. Hence it needs to be made aware of and endorse any changes to the Policy.</p> <p>Periodically Management could assure the Committee that the measures prescribed by the Policy are operating effectively.</p>
Treasury Management	CIPFA's Code of Practice requires that members are tasked with treasury management responsibilities, including scrutiny of the treasury management function. The Committee will receive appropriate training so that members fully understand their roles and responsibilities.

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