

Audit and Governance Committee

Agenda

Date:	Thursday, 28th November, 2013
Time:	10.00 am
Venue:	Committee Suite 1,2 & 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 disclosable pecuniary and non-pecuniary 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 the work of the Committee.

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.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

It is not required 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.

For requests for further information

Contact: Cherry Foreman

Tel: 01270 686463

E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies

4. **Minutes of Previous meeting** (Pages 1 - 12)

To approve the minutes of the meeting held on 27 September 2013.

As previously requested by the Committee details of progress with actions arising from the minutes are appended to the minutes for information; any further updates will be reported at the meeting.

5. **Annual Report 2012/13** (Pages 13 - 36)

To consider the draft Annual Report 2012/13 of the Audit and Governance Committee, prior to its submission to Council in December.

6. **Annual Audit Letter 2012/13** (Pages 37 - 52)

To consider a report on the External Auditors' findings from the 2012/13 audit of the Council's financial statements, arrangements to secure value for money and the certification of grant claims and returns.

7. **2012/13 Audit Findings and Action Plan** (Pages 53 - 64)

To consider the management response to the 2012/13 Audit Findings Report presented to the Committee on 28 September.

8. **External Audit Update** (Pages 65 - 80)

To consider an update from the External Auditors Grant Thornton on progress in delivering their responsibilities.

9. **Governance Framework, Code of Corporate Governance and the Annual Governance Statement - Update** (Pages 81 - 104)

To consider an update to the Council's Code of Corporate Governance and ongoing work in that area; progress in relation to the Annual Governance Statement (AGS) 2012/13 Emerging Issues and Action Plan; and to agree the process for the production of the 2013/14 AGS.

10. **Internal Audit Interim Report 2013/14** (Pages 105 - 126)

To consider an update on progress against the Internal Audit Plan 2013/14 and revisions to it, and a summary of work during the first half of 2013/14.

11. **Internal Audit Charter** (Pages 127 - 136)

To consider adopting an Internal Audit Charter in accordance with Public Sector Internal Audit Standards and the relevant Local Government Application Note.

12. **Anti-Fraud and Corruption Arrangements - Update** (Pages 137 - 144)

To consider progress made in implementing key actions to ensure that arrangements are in place to protect the Council against the threat of fraud.

13. **Annual Report of Corporate Complaints and the Local Government Ombudsman's Annual Review 2012/13** (Pages 145 - 156)

To consider a summary of the complaints received by the Council, and of cases concerning Cheshire East Council dealt with by the Local Ombudsman during the same period.

14. **Work Plan 2013/14** (Pages 157 - 164)

To consider the work plan for the Committee for 2013/14, and any amendments that may be needed.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Friday, 27th September, 2013 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor J Wray (Chairman)
Councillor L Brown (Vice-Chairman)

Councillors S Corcoran, R Fletcher, M Hardy, S Hogben, A Kolker and
M Simon

Councillors in attendance:

Councillor B Moran
Councillor P Raynes

Officers in attendance:

Joanne Butler – Performance and Risk Manager
Chris Mann – Finance Manager
Rachel Musson – Interim Chief Operating Officer
Iolanda Puzio – Legal Team Manager Children, Families & Adults
Brian Reed, Head of Governance and Democratic Services
Jon Robinson – Internal Audit
Joanne Wilcox – Corporate Finance Lead
Rachel Graves – Democratic Services

External Auditor – Grant Thornton

Stephen Nixon
Judith Tench

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor L Roberts.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public present.

4 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 27 June 2013 be approved as a correct record, subject to the following amendment:

Item 6 – Draft Annual Governance Statement 2012-13

Resolution (2) to be amended to read “That the Chief Operating Officer report back to the Committee on the most appropriate forum to measure and monitor improvement of the culture of the organisation.”

5 AUDIT FINDINGS REPORT 2012/13 - GRANT THORNTON

The Audit Findings Report summarised the Council’s External Auditors findings from the 2012/13 audit and covered two elements: the audit of the Council’s financial statements, and an assessment of the Council’s arrangements to achieve value for money in the use of resources. The report identified the key issues they had considered prior to issuing their opinion on the Council’s financial statements and arrangements for securing economy, efficiency and effectiveness in the use of resources.

Judith Tench and Steven Nixon (Grant Thornton) were in attendance and spoke to the report, highlighting key issues.

The Auditor’s were highly complementary about the Council’s response to the majority of issues raised by the report.

A revised Audit Opinion (Appendix 2) was circulated at the meeting as the Auditors had reassessed the Value for Money conclusion, which had resulted in the removal of the paragraph:

“As a result of the issues identified during our work, the Council was unable to demonstrate that it was prioritising resources within budgets – in a planned way – and achieving sustainable cost reductions alongside greater efficiencies and improved productivity,”

RESOLVED: That

- 1 the Audit Findings Report for 2012/13 be received and noted; and
- 2 approval be given for the letter of representation to be signed by the Interim Chief Operating Officer.

6 FINANCIAL RESILIENCE - GRANT THORNTON REVIEW OF THE COUNCIL'S ARRANGEMENTS

Consideration was given to the Council’s External Auditors report on the Review of the Council’s Arrangements for Securing Financial Resilience.

As part of their work to inform their Value for Money assessment, the External Auditors reviewed whether the Council had proper arrangements in place to secure financial resilience. The review considered whether the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled the Council to continue to operate for a foreseeable future.

Judith Tench and Steven Nixon (Grant Thornton) were in attendance and spoke to the report, highlighting key issues.

RESOLVED

That the Financial Resilience Report for 2012/13 be received.

7 STATEMENT OF ACCOUNTS (AUDITED) 2012/13

The Committee considered the Statement of Accounts 2012-13.

Following the completion of the statutory audit, and in accordance with the Accounts and Audit Regulations 2011, the Statement of Accounts was presented to the Committee for approval prior to publication.

As a result of the audit and the Council's own scrutiny of its Accounts a number of amendments had been identified and reflected in the final versions of the Statement, copies of which were provided for Members at the meeting.

The final version of the Statement of Accounts would be published on the Cheshire East website before the statutory deadline of 30 September and a more accessible version of the information would be made available in the form of a Summary Statement of Accounts.

The Auditors praised the Council's Finance Team for an improved year end and a more efficient and effective closedown. This was echoed by members of the Committee.

RESOLVED

That the Statement of Accounts be approved and accepted as presenting a true and fair view of the Council's expenditure and income for the year, and of its overall position.

8 ANNUAL GOVERNANCE STATEMENT 2012/13

Consideration was given to the Annual Governance Statement for 2012/13.

The Council was required to prepare and publish an Annual Governance Statement (AGS) to meet the statutory requirements set out in Regulation 4 of the Accounts and Audit Regulations.

The AGS had been amended to take account of Members' comments from the June meeting of the Committee and from a Members workshop and also to address feedback received in the interim period from Members and officers.

Once finalised the AGS would be published on the Council's website, along with the Statement of Accounts for members of the public, Members, officers and other stakeholders to view.

Regular updates on progress of the AGS Action Plan would be brought to the Committee during 2013/14.

It was suggested that the Statement be amended on page 11 – 6th bullet point - the reference to "The first of these reports is scheduled for the September 2013 meeting" be deleted as there was no report regarding the number and outcome of complaints on the meeting's agenda.

RESOLVED

That the Annual Governance Statement for 2012/13 be approved.

9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AUDIT CHARTER

The Committee considered a draft Internal Audit Charter, which was proposed to form the basis of the Cheshire East Internal Audit Charter.

The Public Sector Internal Audit Standards state that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter. The Charter established Internal Audit's position within the organisation, including the nature of functional and administrative reporting, authorised access to records, personnel and physical properties relevant to the performance of engagements, and defined the scope of Internal Audit activities.

The proposed Internal Audit Charter was based on the Institute of Internal Auditors Model Internal Audit Activity Charter.

The finalised Internal Audit Charter would be presented to Committee in November 2013 for final approval.

RESOLVED: That

- (1) the report be noted; and
- (2) the draft Internal Audit Charter form the basis of the Cheshire East Internal Audit Charter to be finalised for approval by the Committee at its meeting in November 2013.

10 TREASURY MANAGEMENT UPDATE

In accordance with the CIPFA Code of Practice for Treasury Management in the Public Services, and the Prudential Code for Capital Finance in Local Authorities, consideration was given to the treasury management activity for the period April – July 2013 and to the Annual Report for 2011/12.

The report covered the Council's treasury year end position, forecast prospects for interest rates, interest rate outturn, compliance with treasury limits, the Council's borrowing and investment strategies, economic events and prudential indicators.

RESOLVED:

That the update on treasury management activity for the period April – July 2013 and the Annual Report for 2011/12 be noted.

11 RISK MANAGEMENT UPDATE

Consideration was given to a summary of risk management work undertaken since the last meeting of the Committee.

A summary of the Council's Key Corporate Risks was attached at Appendix A, which included a description of the risk, the net risk rating for the risks scored to date, and a commentary of any risks that changed.

The Corporate Risk Management Group in August 2013 had discussed and reviewed the risk ratings for the CR3 – Strategic Leadership and Management, CR9 – Workforce, CR11 – Commissioning and Service Delivery Chains, and CR13 – New Responsibilities for Public Health and Wellbeing.

The Committee received feedback on other risk work including project management, business unit risks, insurance and business continuity.

The Committee was asked to identify an area of risk to receive a briefing on at the next meeting. From the three suggested, it was agreed that CR9 – Workforce would be considered.

RESOLVED: That

- (1) the report on Risk Management be noted: and
- (2) CR9 - Workforce, be identified as the risk for consideration at the next meeting of the Committee.

12 COMPLIANCE WITH CONTRACT PROCEDURE RULES

Consideration was given to a report which gave details on the operation of the procedure for Delegated Decisions to waive Contract Procedure Rules, and non-compliances with Contract Procedure Rules.

Following concerns during 2011/12 regarding the content and timeliness of delegated decisions to waive Finance and Contract Procedure Rules, a revised procedure had been adopted in May 2012; this had subsequently been amended again in January and May of this year.

It was reported that in July an internal audit review of the operation and use of Delegated Decisions and Non-Compliances had been carried out, and the findings were detailed in the report. As a result of the review a number of improvements to the process had been agreed with senior managers.

RESOLVED: That

- (1) the revisions to the procedures since September 2012 be noted;
- (2) the update on Delegated Decisions and Non-Compliances since September 2012 be noted; and
- (3) it be noted that further reports on the process, and its robustness will be brought to the Committee as part of the regular monitoring of the Annual Governance Statement Act Plan.

13 WORK PLAN 2013/14

Consideration was given to the Work Plan for 2013/14, which had been updated to include the changes discussed at the June 2013 meeting.

The Committee was concerned about the delay of the report on the way forward for the Standards process, which had been expected to be presented today but understood that it had been deferred to allow the new Head of Legal and Monitoring Officer to become involved in the review of the process. It was agreed that a working group would be set up, with the membership of the Councillors J Wray, L Brown, M Hardy and S Hogben to progress the review.

An item for the Work Plan was proposed by Councillor S Corcoran and seconded by Councillor S Hogben as follows:-

"That the Work Plan should include an annual review of Lyme Green, with the addition of Resolutions 3 and 4 from the decision of the Audit and Governance Committee meeting held in June 2012."

The motion was put to the vote and lost.

Councillor Corcoran requested that the motion be recorded in the minutes and also how the Committee voted, which was agreed.

Vote

For: Councillors S Corcoran, R Fletcher and S Hogben

Against: Councillors L Brown, A Kolker and J Wray

Abstained: Councillor M Hardy

Casting Vote: Against - Councillor J Wray

RESOLVED: That

- (1) the amendments to the Work Plan be noted;
- (2) Risk CR9 – Workforce be added to the Work Plan as the risk for consideration at the September 2013 meeting.
- (3) the Plan will be periodically brought back to the Committee for development and approval.

The meeting commenced at 10.04 am and concluded at 12.35 pm

Councillor J Wray (Chairman)

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AUDIT AND GOVERNANCE COMMITTEE

**PROGRESS WITH ACTIONS AGREED OR REPORTED
AT PREVIOUS MEETINGS**

REPORTED FOR INFORMATION ONLY

MINUTE NUMBER AND ACTION	PROGRESS	COMPLETED
49 EXTERNAL AUDIT PLAN 2012/13 (28/03/13) It was agreed that that the emerging issues from the Audit Plan would be considered at the relevant Member/Officer groups.	Emerging issues were discussed at the November Member Officer Group meeting. Further information to be provided for Members for the meeting in January 2014.	
50 INTERNAL AUDIT PLAN 2013/14 (28/03/13) It was agreed that <ul style="list-style-type: none"> When a more detailed audit plan is available it will be shared with the specialist Member groups appointed by the Committee. Once guidance has been published all aspects of service delivery will be reassessed to ensure that there is proper migration to the new requirements and audit documents will then be updated to reflect the revised obligations. 	The Audit Plan is shared with Members as part of the annual and interim internal audit update reports to the Committee. Report on new standards considered at meeting on 27/06/13. Update due to go to Committee on 27/9/13.	Yes Yes
51 AUDIT AND GOVERNANCE SELF ASSESSMENT (28/03/13) Agreed that the detailed outcome of the review of the system of Internal Audit will be considered by the Committee as part of the Annual Governance Statement approval process.	Draft AGS discussed at Committee on 27/6/13 with final AGS due to be agreed on 27/9/13. Review included as part of evidence pack distributed to Members.	Yes

ACTION	PROGRESS	COMPLETED
<p>52 WHISTLEBLOWING (28/03/13) Agreed that a further review of the Policy be carried out in 2013/14 and that it would include a survey of staff awareness and views on the arrangements.</p>	<p>Update report is included on the Work Plan for March 2014. Staff survey to be completed following the introduction of an e-learning package.</p>	<p>In progress.</p>
<p>53 RISK MANAGEMENT UPDATE (28/03/13) Agreed that</p> <ul style="list-style-type: none"> • The Committee identify an area of risk on which to receive a briefing at the next meeting; Commissioning and Services Delivery Chains was duly identified. • The Risk Register from the Welfare Reform Working Group be brought to the next meeting. 	<p>The Executive Director of Strategic Commissioning attended the meeting on 27/06/13 to brief members on this. Risk Register from the Welfare Reform Working Group made available to the Committee.</p>	<p>Yes 27/06/13 Yes 27/06/13</p>
<p>55 COMPLIANCE WITH REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) (28/03/13) That a report be submitted to the Committee on the Inspectors findings and recommendations following his visit on 2 May 2013.</p>	<p>Considered at the meeting on 27/06/13</p>	<p>Yes 27/06/13</p>
<p>56 WORK PLAN 2012/13 (28/03/13) Agreed that</p> <ul style="list-style-type: none"> • A report be brought to the Committee on the provision of training for Standards Hearings and on whether the agreed processes for dealing with complaints under the Members Code of Conduct should be reviewed. • That there be a report to the Committee on insurance arrangements for elected members. 	<p>Deferred, to come forward in due course.</p> <p>To be referred to the Corporate Risk Management Group for incorporation in their report, and to the Insurance Team, and to come forward in due course.</p>	

ACTION	PROGRESS	COMPLETED
<p>5 INTERNAL AUDIT ANNUAL REPORT 2012/13 (27/06/13) Agreed that the Chief Operating Officer discuss concerns regarding compromise agreements with the appropriate HR Officer or Member Group.</p>	<p>(Rachel Musson) Discussed this with the Chief Executive and with the CLB and was advised that any agreements are managed on a case by case basis.</p>	<p>Yes 27/09/13</p>
<p>6 DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13 and 13 WORKPLAN 2013/14 (27/06/13) That the Chief Operating Officer report back on the most appropriate forum to measure and monitor improvement of organisation of culture.</p>	<p>Rachel Musson - Discussed with the Chief Executive and the Leader who advised that this will be dealt with by Cabinet and the CLB.</p>	<p>Yes 27/09/13</p>
<p>7 DRAFT STATEMENT OF ACCOUNTS 2012/13 (27/06/13) That information on earmarked reserves and the schools balances be forwarded to Members.</p>	<p>This information was circulated on 01/07/2013.</p>	<p>Yes 1/07/13</p>
<p>8 ANNUAL REPORT ON RISK MANAGEMENT (27/06/13) That the Corporate Risk Management Group, the Chairman, the Executive Director of Strategic Commissioning and Cllr Marren consider further the most appropriate way of including the allocation of a measurement/score of risk on all on all written reports.</p> <p>11 RISK MANAGEMENT UPDATE (27/09/13) CR9 – Workforce identified as the risk for consideration at the next meeting of the Committee. As the meeting on 28/11/13 has been convened to deal with specific items of business this will be on the agenda for the meeting in January 2014.</p>	<p>In progress, discussed at the Corporate Risk Management Group and to be discussed with the Corporate Leadership Team.</p> <p>To be on the agenda for the meeting in January 2014.</p>	

ACTION	PROGRESS	COMPLETED
9 AUDIT COMMITTEE UPDATE (27/06/13) That detailed financial information around emerging issues and developments be circulated to Members direct.	Circulated to Committee Members on 1/07/2013	Yes 1/07/2013
10 PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AUDIT CHARTER UPDATE (27/06/13) That further updates be brought to the Committee as and when necessary. 9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AUDIT CHARTER UPDATE (27/06/13) That the finalised documents be considered by the Committee at its meeting on 28/11/13	To be considered by the Committee on 27/09/13. To be on the agenda for 28 November 2013	Yes 27/09/13 In progress
13 WORK PLAN 2013/14 (27/06/13) That the Monitoring Officer, the Member/Officer Group and Cllr Marren discuss further the appropriateness of the requested Cardiff Review of 6 procurement invoices and report back to the Committee in due course.	The Member/Officer Groups have not yet met since the June Committee meeting but it can be included on the next agenda of the relevant group if Members still require it.	
12 COMPLIANCE WITH CONTRACT PROCEDURE RULES (27/09/13) That further reports on the process, and its robustness be brought to the Committee as part of the regular monitoring of the Annual Governance Statement Action Plan		

CESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Chair of the Audit and Governance Committee 2012/13
Title: Audit and Governance Committee Annual Report 2012/13
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to consider the draft 2012/13 Annual Report of the Audit and Governance Committee and agree the final version of the report that will go to Council in December 2013.

2.0 Recommendation

- 2.1 That the Committee considers the draft Annual Report 2012/13, as attached (Appendix A) and agree the final version that will go to Council in December 2013.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Council's Constitution, the Audit and Governance Committee shall submit an annual report to Council.

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 None.

8.0 Legal Implications

- 8.1 There is a legal requirement on the council to conduct a review at least once a year of the effectiveness of its systems of internal control.

- 8.2 The Council's constitution gives responsibility to the Audit and Governance Committee for overseeing the Council's roles and responsibilities in respect of Corporate Governance and Audit and specifically for submitting an annual report to Council.

9.0 Risk Assessment

- 9.1 There is a requirement within the Council's Constitution for the Audit and Governance Committee to submit an annual report to Council. Failure to submit the record would be a breach of the Constitution.

10.0 Background and Options

- 10.1 Many Audit Committees prepare an annual report to demonstrate how they have fulfilled their terms of reference and to account for their performance. CIPFA guidance states key aspects to consider including in such a report are:

- Committee membership
- Summary of activity, including key topics, decisions and recommendations.
- Review of the committee's effectiveness, including any external assessment results.
- Development activity undertaken. For example training, networking with other audit committees or peer reviews.

It also states that annual reports should be publically available and care should be taken to make them readable and accessible.

- 10.2 The requirement to submit an annual report is included within Cheshire East Council's Constitution and the 2012/13 report is the second annual report of this Committee.

11.0 Access to information

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

Name: Councillor John Hammond

Designation: Chair of the Audit and Governance Committee 2012/13

Tel No: 01270 753205

Email: john.hammond@cheshireeast.gov.uk



**Cheshire East Council
Audit and Governance Committee
Annual Report 2012/13**

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Introduction by the Chair of the Audit and Governance Committee



I am pleased to present the second Annual Report of the Audit and Governance Committee which describes the Committee's activity over the municipal year to May 2013.

I hope that this Annual Report helps to demonstrate both to the Council and the wider community in general, the important role that is performed by the Audit and Governance Committee and the particular contribution that it makes to the Council's overall governance and control arrangements.

The reduction in resources and the pace of change within local government makes the importance of effective governance and accountability greater than ever. The past year has seen the Committee exercise robust challenge across its entire remit through the questions raised and the requests made for additional information.

During the year the Committee has considered the key issues affecting the Council's governance framework. Apart

from the substantial work plan, the Committee has also shown that it can be proactive in seeking to understand and review emerging areas of risk and concern.

I welcome the fact that a review of the new procedures set out to deal with complaints relating to the Code of Conduct will be carried out as promised at outset. I hope that any changes recommended will, in the light of experience gained in the last year, improve the process.

This is my final report as Committee Chair as I have taken on a new role. I would like to thank both Members and Officers alike for all they have done to develop the work of the Committee since its inception in 2010. The Members of the Committee have been both supportive and provided constructive challenge to ensure our governance processes are effective and transparent. I would also like to thank Grant Thornton, the Council's External Auditors, for their support and regular attendance at meetings.

Finally, I would like to take this opportunity to wish the new Chair Cllr John Wray every success in continuing the development of the work of the Committee.

Councillor John Hammond

Chair of the Audit and Governance Committee 2012/13

November 2013

Audit and Governance Committee Background and Review of 2012/13

Background

Why do we have an Audit and Governance Committee?

Audit Committees are an essential element of good governance. Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an Audit Committee, independent from the executive and scrutiny functions.

Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

When does it normally meet?

It meets four times a year and works to a strategic work plan. Membership of the Committee is ten councillors in proportion to the Council's political composition, see **Appendix A** (page 6). All meetings are held in public. Details of future meetings are shown in **Appendix E** (page 17).

When did it start work?

The current Committee began in May 2010 after it was decided to decommission the Governance and Constitution Committee and have a separate Audit Committee (named 'Audit and Governance' Committee) and a Constitution Committee. This strengthened the governance framework

by allowing each Committee to focus on its own particular areas.

Review of 2012/13

When did it meet in 2012/13?

There were four scheduled meetings in the year:

- 28th June 2012
- 27th September 2012
- 31st January 2013
- 28th March 2013

In addition, there was a special meeting of the Committee, to consider the review of Lyme Green, on:

- 14th June 2012

The agenda items covered are shown in **Appendix B** (page 8). Reports and supporting documents are publically available at www.cheshireeast.gov.uk

What work did it carry out in 2012/13?

A work plan was agreed at the beginning of the year and all planned work was completed, including the following:

- Statement of Accounts
- Annual Governance Statement
- Internal Audit Plan
- Internal Audit Annual & Interim Reports
- External Audit Reports to the Council
- Risk Management Reports
- Anti-Fraud and Corruption Arrangements
- Whistleblowing Policy

Details of work carried out are shown in **Appendix B** (page 8).

Audit and Governance Committee Background and Review of 2012/13

Review of 2012/13 (continued)

What key decisions did the Committee take in 2012/13?

During 2012/13, the Committee made a number of key decisions, including the following:

- Agreed and monitored progress against the Lyme Green Action Plan
- Approved the 2011/12 Statement of Accounts
- Approved the 2011/12 AGS
- Endorsed the updated Risk Management Policy

Did the Committee cover the right areas?

To ensure that the Committee met its remit for the year, its activities have been matched to the designated functions of the Committee as set out in the Council's [Constitution](#). The results are set out in **Appendix C** (page 10).

What is the role of Internal Audit?

The Internal Audit service carries out reviews throughout the year on the whole of the Council's control environment, comprising risk management, key control and governance processes. This work includes a mix of risk based auditing, regularity, ICT audit, investigations and the provision of advice to officers.

Internal Audit activity is regularly reported to the Committee by the two Audit Managers, Jon Robinson and Neil Taylor, including the annual opinion on the adequacy and effectiveness of the Council's internal control environment.

Who are the Council's External Auditors?

The Council's External Auditors from 1st June to 31st August 2012 were the Audit Commission's in-house Audit Practice.

Following the externalisation of the Audit Commission's work to private sector firms, the Council's new External Auditors became Grant Thornton, with effect from 1st September 2012.

Their representatives, led by Engagement Lead, Judith Tench, attend every Audit Committee meeting and report progress on the annual cycle of external audit work.

Does it meet best practice standards?

The functions of the Audit and Governance Committee are based on best practice, as featured in the CIPFA (Chartered Institute of Public Finance and Accountancy) publication, *Audit Committees – Practical Guidance for Local Authorities*.

To ensure its ongoing effectiveness in 2012/13, the Committee has been assessed against the detailed checklist included within the CIPFA guidance. The results are shown as **Appendix D** (page 13)) and show that the Committee fully complies with best practice, with the exception of two aspects with which it partially complies.

Audit and Governance Committee Background and Review of 2012/13

Review of 2012/13 (continued)

What training and development is carried out for Members?

- Induction for new Members of the Committee
- Statement of Accounts
- Annual Governance Statement
- Localism Act 2011: Code of Conduct

The Member/Officer Groups set up in September 2011, continued to meet through 2012/13. The groups enable individual Members to become more involved in specific areas of audit and governance work as a means of developing in-depth knowledge and expertise, and cover the following areas:

- Audit
- Corporate Governance & Annual Governance Statement
- Financial Statements
- Fraud Management
- Risk Management

What is the Code of Conduct for Members' Complaints procedure?

In accordance with the Council's Code of Conduct for Members' Complaints procedure, decisions relating to complaints shall be reported to the Audit and Governance Committee.

Cheshire East Council adopted a new Code of Conduct and associated complaints procedure in July 2012. Between July 2012 and April 2013, six complaints (two against Members of Cheshire East Council and four against Members of Parish Councils) were received by the Monitoring Officer which were submitted for

consideration to an Initial Assessment Panel.

Decisions of Initial Assessment Panels:

No further action	1
Referred to a Group Leader for informal action	1
Referred for local resolution	4
Referred for formal investigation	-
Referral to a regulatory agency or police	-

Of the four complaints referred for local resolution, one was withdrawn prior to a meeting being convened; in respect of another the Panel concluded there was insufficient information for it to reach a conclusive decision that a breach of the Code had or had not occurred.

In respect of the other two complaints, the Subject Members concerned were found to have been in breach of their respective Codes of Conduct; the Panel applying/recommending the following sanctions:

Decisions of the Local Resolution Panels:

Formal censure e.g. through a motion	-
Send a formal letter to the Subject Member	1
Recommend a course of action to the Subject Member's Group Leader/Town/Parish Council	1
Report findings to Council/Town or Parish Council for information	-
Issue a press release of its findings in respect of the Subject Member's conduct	-

**Audit and Governance Committee
Background and Review of 2012/13****Review of 2012/13 (continued)*****What is planned for 2013/14?***

The Committee's work plan for 2013/14 is shown as **Appendix E** (page 17). These are the items required to ensure the Committee covers its remit. The work plan is brought to each Committee meeting for update, where necessary, and approval. Members consider the contents of the Work Plan and establish any additional agenda items/training/briefing sessions that will enable it to meet its responsibilities.

Audit and Governance Committee Members 2012/13**Councillor John Hammond**

Councillor Hammond has been an elected member of Cheshire East Council since its beginning in April 2009. He has served on the Audit and Governance Committee since its inception in June 2010 and became the Chair in May 2011. Councillor Hammond stepped down from the Audit and Governance Committee following the Council meeting on 18th July 2013 and was replaced as Chair by Councillor John Wray.

**Councillor Louise Brown**

Councillor Brown became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee as the Vice-Chair from the 2012/13 municipal year.

**Councillor Sam Corcoran**

Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.

**Councillor Rod Fletcher**

Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Audit and Governance Committee since May 2011.

**Councillor Martin Hardy**

Councillor Hardy has been an elected member of Cheshire East Council since its beginning in April 2009. He has served on the Audit and Governance Committee since its inception in June 2010 and was Vice-Chair from May 2011 to January 2012.

Audit and Governance Committee Members 2012/13**Councillor Steven Hogben**

Councillor Hogben became an elected member of Cheshire East Council in May 2011 and after attending as a substitute in June 2011, he has since served on the Audit and Governance Committee from September 2011 to date.

**Councillor Andrew Kolker**

Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.

**Councillor David Marren**

Councillor Marren became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then, being Vice-Chair from January 2012 until the end of the 2011/12 municipal year. He resigned from the Committee on 19th August 2013.

**Councillor Lloyd Roberts**

Councillor Roberts became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee from the start of the 2012/13 municipal year.

**Councillor Margaret Simon**

Councillor Simon has been an elected member of Cheshire East Council since its beginning in April 2009. She has served on the Audit and Governance Committee since its inception in June 2010 and was Chair for the 2010/11 year.

Audit and Governance Committee Activity 2012/13

14th June 2012
Items covered: Review of the proposed waste transfer station at Lyme Green.
28th June 2012
Items covered: External Audit: Audit Committee Update Draft Statement of Accounts 2011/12: Approval Process Draft Annual Governance Statement 2011/12 Internal Audit Annual Report 2011/12 Annual Report on Risk Management 2011/12
27th September 2012
Items covered: Action Plan arising from Internal Audit Report into Waste Transfer Station (Lyme Green) Compliance with Contract Procedure Rules External Audit: Annual Governance Report 2011-12 Final Statement of Accounts 2011-12 Annual Governance Statement (AGS) 2011/12 Code of Corporate Governance and the Governance Framework Update Internal Audit Interim Report 2012/13 Anti-Fraud and Corruption Arrangements Treasury Management Update Risk Management Update Standards Issues and Planning Protocol Audit and Governance Committee Annual Report 2011/12
31st January 2013
Items covered: Action Plan arising from Internal Audit Report into Waste Transfer Station (Lyme Green) Annual Governance Report Action Plan – Progress Report and Annual Audit Letter 2011/12 Risk Management Update External Audit: Update and Annual Fee Letter 2012/13 Statement of Accounts 2012/13 – Progress Report Annual Governance Statement (AGS) – 2012/13 Process and Update on 2011/12 Action Plan Treasury Management Strategy and MRP Statement 2013/14 Compliance with Data Protection Act (1998), Freedom of Information Act (2000) and Environmental Information Regulations (2004) Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review for year ended 31 st March 2012 Internal Audit Interim Report 2012/13
28th March 2013
Items covered: External Audit: Certification of Claims and Returns – Annual Report External Audit Plan 2012/13

Audit and Governance Committee Activity 2012/13**28th March 2013 (continued)**

Internal Audit Plan 2013/14

Audit and Governance Committee Self-Assessment

Whistleblowing Policy

Risk Management Update

Update on Programme and Project Management and other Compliance Issues

Compliance with Regulation of Investigatory Powers (2000) (RIPA)

DRAFT

Audit and Governance Committee Functions and Relevant Activity 2012/13

Function of Audit and Governance Committee <i>(per Committee Terms of Reference)</i>	Relevant activity in 2012/13
Annual Report	
Submitting an Annual Report to the Council.	The Committee approved its first annual report, covering the 2011/12 municipal year, at the September 2012 meeting and this report was submitted to Council in October 2012.
Audit	
Overseeing the Council's role and responsibilities in respect of Audit.	<i>Internal Audit:</i> The Committee approved the overall strategy and annual programme of audits (March 2013) and monitored progress against the plan (September 2012 & January 2013). <i>External Audit:</i> The Committee received and considered the work of the External Auditor (June 2012/September 2012/January 2013 & March 2013).
Supporting the Council's audit function, both internal and external.	See above.
Considering the Head of Internal Audit's Annual Report and opinion and a summary of internal audit activity and the level of assurance over corporate governance arrangements.	The Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2012.
Receiving the Internal Audit Plan and summary reports on performance against the plan.	Internal Audit interim reports against the 2011/12 plan were received in September 2012 and January 2013, with the 2012/13 Internal Audit Plan received in March 2013.
Corporate Governance & Annual Governance Statement	
Overseeing the Council's role and responsibilities in respect of Corporate Governance.	The Committee received and approved the Annual Governance Statement (September 2012), agreed the AGS process (January 2013) and received an update on progress against the AGS Action Plan (January 2013).
Developing a Code of Corporate Governance and to undertake as appropriate an assessment of wider governance issues.	The Committee received and approved an update to the Code of Corporate Governance and also received an update on the Corporate Governance Group's ongoing work on the Governance Framework (both September

Audit and Governance Committee Functions and Relevant Activity 2012/13

Function of Audit and Governance Committee <i>(per Committee Terms of Reference)</i>	Relevant activity in 2012/13
	2012).
Reviewing and approving the Annual Governance Statement.	The Annual Governance Statement 2011/12 was approved at Committee in September 2012.
Financial Statements	
Supporting the Chief Financial Officer in relation to the performance of their duties.	Reports on the Statement of Accounts, including progress and audit thereof were presented at June 2012, September 2012 and January 2013 Committee meetings.
Approving any Council Statement of Accounts as may be required by the relevant Account and Audit Regulations.	The Statement of Accounts 2012/13 was approved at Committee in September 2013.
Considering External Audit and other external agencies reports to those charged with governance as a source of assurance.	The Annual Audit Letter was reported to Committee in January 2013 by the External Auditor. A progress report on implementation of the 2011/12 Statement of Accounts Action Plan was brought to Committee by Officers in January 2013. The 2011/12 Annual Governance report was reported to the Committee in September 2012.
Fraud Management	
Ensuring the Council has in place appropriate policies and mechanisms to safeguard the Council's resources.	The Committee considered the outcome of a review of Anti Fraud and Corruption arrangements in September 2012.
Reviewing and making recommendations upon the Whistleblowing arrangements process.	An update on the effectiveness of the Policy and the number of reports received during 2012/13 was received by the Committee in March 2013.
Ensuring that the Council maintains a robust counter fraud culture via the implementation of an Anti Fraud and Corruption Policy and Strategy.	The Committee considered the outcome of a review of Anti Fraud and Corruption arrangements in September 2012.
Seeking assurance that Customer Complaint arrangements are robust.	Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 2011/12 presented to Committee in January 2013.
Risk Management	
Ensuring any Council's Risk Management arrangements are operating effectively.	Risk Management Update Reports are received at each Committee.

Audit and Governance Committee Functions and Relevant Activity 2012/13

Function of Audit and Governance Committee <i>(per Committee Terms of Reference)</i>	Relevant activity in 2012/13
<p>Where necessary, 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.</p>	<p>General updates on insurance are reported to the Corporate Risk Management Group as part of their remit to review and monitor risks in relation to specific area needs as and when required e.g. Climate Change, Health and Safety, Insurance and the National Fraud Initiative (NFI). A summary of the key points from the insurance updates are included in the Risk Management Update reports to the Committee and a similar arrangement will continue in 2013/14. Any specific issues relating to Members' indemnity will be reported where necessary.</p>
Standards	
<p>Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).</p>	<p>In accordance with Cheshire East Council's Code of Conduct for Members' Complaints procedure, decisions relating to complaints shall be reported to the Audit and Governance Committee. A new Code of Conduct and associated complaints procedure was adopted in July 2012. Audit & Governance Committee Members have attended Complaints Hearings through the year.</p>
<p>Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.</p>	<p>During the year there have been general training sessions for all Members (August and September 2012) on the Code of Conduct and also a specific targeted session for Members of the Audit & Governance Committee (August 2012).</p>
<p>Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.</p>	<p>There have been no requests for individual dispensations during 2012/13.</p>

Audit and Governance Committee Self Assessment

Issue <i>per CIPFA Audit Committees Practical Guidance for Local Authorities Checklist</i>	Y	N	P	Comment
Terms of Reference				
Have the committee's Terms of Reference been approved by full Council?	✓			Approved as part of Constitution. Terms of Reference updated in 2011/12 to include requirement to submit an annual report to full Council.
Do the Terms of Reference follow the CIPFA model?	✓			Based on <i>Audit Committees – Practical Guidance for Local Authorities</i> , CIPFA 2005.
Internal Audit Process				
Does the Committee approve the strategic audit approach and the annual programme?	✓			Internal Audit Strategy approved in Sept 2009, with update in Nov 2010. Updated version scheduled to be taken to Committee in June 2013 based on new Public Sector Internal Audit Standards (agreed at January 2013 Committee). Audit plans approved annually – 2012/13 Plan approved in March 2012.
Is the work of Internal Audit reviewed regularly?	✓			Annual Internal Audit Opinion report received in June 2012. Interim reports received in Sept 2012 and Jan 2013.
Are summaries of quality questionnaires from managers reviewed?	✓			Results of questionnaires reported in interim reports for 2012/13 and will be reported in annual report.
Is the Annual Report, from the Head of Audit, presented to the committee?	✓			Annually to support production of the Annual Governance Statement (AGS). Last reported in June 2012.
External Audit Process				
Are reports on the work of External Audit and other inspection agencies presented to the Committee?			✓	External Audit reports: June 2012 – Audit Committee Update Report, Sept 2012 – Annual Governance Report 11-12, Jan 2013 – External Audit Update & Audit Fee Letter 2012/13. Reports of other inspection agencies e.g. OFSTED do not go to the Audit & Governance Committee but summaries of key issues are presented to the appropriate Scrutiny Committee.
Does the Committee input			✓	As is normal practice, the external audit

Audit and Governance Committee Self Assessment

Issue <i>per CIPFA Audit Committees Practical Guidance for Local Authorities Checklist</i>	Y	N	P	Comment
into the External Audit programme?				2012/13 plan has been prepared following consultation with Council Officers and will be presented at the March 2013 Committee meeting for the Committee to receive and comment on. Although Members do not directly input into the 'core' audit programme, as this is set by the Audit Commission, there is the opportunity to influence work outside this. Update reports from external audit are regularly brought to the Committee.
Does the Committee ensure that Officers are acting on and monitoring action taken to implement recommendations?	✓			Officers are asked to provide an update report on progress of any actions arising from the previous Committee meeting e.g. Progress on implementing the Statement of Accounts Action Plan was reported to the Committee in Jan 2013, and is discussed at the appropriate specialist Member/Officer Group.
Does the Committee take a role in overseeing: <ul style="list-style-type: none"> • Risk Management strategies • Annual Governance Statement • Anti Fraud arrangements • Whistleblowing strategies? 	✓ ✓ ✓ ✓			Review of Policy in June 2012. Update reports at each meeting. Approved 11/12 AGS in Sept 2012, Process for 12/13 AGS and update on 11/12 AGS action plan in Jan 2013. Reviewed in September 2012. Review of Policy in June 2011. There are also Annual update reports (latest is March 2013).
Membership				
Has the membership of the Committee been formally agreed and a quorum set?	✓			There are ten members on the Committee and the quorum has been set at three.
Is the Chair free of Executive or Scrutiny functions?	✓			
Are Members sufficiently independent of the other key Committees of the	✓			The Chair and Vice-Chair are free of Executive and Scrutiny responsibilities.

Audit and Governance Committee Self Assessment

Issue <i>per CIPFA Audit Committees Practical Guidance for Local Authorities Checklist</i>	Y	N	P	Comment
Council?				
Have all Members' skills and experiences been assessed and training given for identified gaps?	✓			The Committee considered training requirements against the CIPFA Better Governance Forum (BGF) recommendations in Sept 2010 and training requirements are considered at each subsequent Committee as part of the Work Programme/Plan. Induction sessions have been delivered each year to new Committee Members and a series of training sessions have been delivered around the IFRS, AGS, Risk and Customer Complaints. In January 2012, five specialist Member/Officer Groups were set up; these meet regularly as a way of individual Members becoming more involved in specific areas of audit and governance work and developing in-depth knowledge and expertise. The Chair attended the BGF 'Influential Audit Committee' seminar in January 2013.
Can the Committee access other Committees as necessary?	✓			Best practice states that the Audit Committee should report direct to the governing body i.e. full Council. In October 2012, the first annual report of the Audit & Governance Committee was submitted to full Council.
Meetings				
Does the Committee meet regularly?	✓			The Committee meets at least 4 times a year. Other meetings are programmed, where necessary.
Are separate, private meetings held with the External Auditor and the Internal Auditor?	✓			External Audit: meetings are held where necessary. Internal Audit: There are a combination of Member/Officer Group meetings and pre-Committee briefings.
Are meetings free and open without political influences being displayed?	✓			
Are decisions reached	✓			

Audit and Governance Committee Self Assessment

Issue <i>per CIPFA Audit Committees Practical Guidance for Local Authorities Checklist</i>	Y	N	P	Comment
promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by Members?	✓			There has been a continuing conscious effort to make Committee reports more concise to aid preparation. A review of the Work Programme is planned to ensure appropriate frequency of updates.
Does the Committee have the benefit of attendance of appropriate Officers at its meetings?	✓			Wide ranging number of officers regularly attend to address various matters on agenda. In addition, the Committee has also invited managers to attend to address specific issues e.g. Strategic Risk Owners.
Training				
Is induction training provided to Members?	✓			See response under 'Membership' regarding the assessment of members' skills and experiences.
Is more advanced training available as required?	✓			As above.
Does the Authority's S151 Officer or deputy attend all meetings?	✓			S151 Officer or deputy normally attends all meetings.
Are the key Officers available to support the Committee?	✓			Key officers i.e. Internal Audit, Finance, Legal, Democratic Services, External Audit attend all meetings. Other officers will attend as and when appropriate to present specific reports.

Key:

Y **Met**
P **Partially met**
N **Not met**

Audit and Governance Committee Work Plan 2013/14

Committee Date/Agenda Item	Description
27 June 2013	
External Audit – Progress Report 12/13	External Audit to report progress against their 12/13 Plan/emerging issues.
Draft Statement of Accounts 12/13	Overview of the key issues within the 12/13 Draft Statement of Accounts.
Draft Annual Governance Statement (AGS) 12/13	Draft AGS 12/13 for comment/agreement; final version to be approved at September meeting.
Internal Audit Annual Report 12/13	Opinion on the overall adequacy and effectiveness of the Council's control environment for 12/13.
Corporate Risk Management Group Annual Report 12/13 & Risk Management Policy Review <i>including Risk Owner Mitigation Plan</i>	Annual Report of the Corporate Risk Management Group, an update of the Risk Management Policy and attendance by a Corporate Risk Owner to explain their mitigation plan (Commissioning and Services Delivery Chains). A copy of the Risk Register from the Welfare Reform Working Group is made available to the Committee.
Compliance with International Auditing Standards	To comply with International Auditing Standards, each year the Council's External Auditors are required to refresh their understanding of how the Audit and Governance Committee gain assurance over management processes and arrangements.
Update on Public Sector Internal Audit Standards (PSIAS) and Audit Charter	To inform the Audit and Governance Committee of the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013, note the implications and further actions necessary to meet compliance with the PSIAS, including the development of an Audit Charter.
Regulation of Investigatory Powers Act (RIPA)	Update following the inspection from the Office of the Surveillance Commissioner outlining the Inspector's findings and recommendations.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
26 September 2013	
External Audit – Audit Findings Report 12/13	Summary of findings from the 12/13 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency & effectiveness in the use of resources.
Financial Resilience Report	A report from the Council's External Auditors.
Statement of Accounts 12/13 Audited	Approval of the final 12/13 Financial Statements.
Final AGS 12/13	Final AGS 12/13 for approval.

Audit and Governance Committee Work Plan 2013/14

Committee Date/Agenda Item	Description
Update on Public Sector Internal Audit Standards (PSIAS) and Audit Charter	The Internal Audit Charter defines the internal audit activity's purpose, authority and responsibility.
Treasury Management Update Report	Update report on Treasury Management.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation.
Compliance with Contract Procedure Rules	A report setting out the number of non-compliance instances in the previous period, broken down by Service, and a description of exceptional instances.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
28 November 2013	
Annual Report 12/13	Annual Report of the Chair of the Audit & Governance Committee to Council.
External Audit – Annual Audit Letter 12/13	Summary of the External Audit findings from 12/13 audit. The letter will also confirm the level of audit fees.
2012/13 Audit Findings and Action Plan	This report sets out the management response to the 2012/13 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee on 28 th September.
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.
Update on Governance Framework and Code of Corporate Governance, 12/13 Action Plan & 13/14 Process	Council's Governance Framework for discussion/ agreement and approval of updates to Code of Corporate Governance. Progress to date on the 12/13 AGS Action Plan and suggested approach for the 13/14 AGS for approval.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 13/14.
Internal Audit Charter	The Internal Audit Charter defines the internal audit activity's purpose, authority and responsibility.
Anti Fraud and Corruption Update	Periodic review of Anti Fraud and Corruption Policy and arrangements against best practice.
Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 12/13	Summary of the complaints received by the Council and also those dealt with by the Local Government Ombudsman about the Council for 12/13.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the

Audit and Governance Committee Work Plan 2013/14

Committee Date/Agenda Item	Description
	Committee's responsibilities.
30 January 2014	
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.
External Audit – Certification of Claims & Returns	Annual report on the issues, amendments and qualifications arising from certification work of grant claims and returns.
Internal Audit Interim Report	Progress against the Internal Audit Plan 13/14.
Treasury Management Strategy and MRP Statement 2014/15	The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years. The Treasury Management Strategy is also reported to Cabinet before being presented to Full Council for approval.
Data Protection and Freedom of Information Update	Update on Data Protection and Freedom of Information issues including volumes of requests and trends.
Compliance with International Auditing Standards 2013/14	To comply with International Auditing Standards, each year the Council's External Auditors are required to refresh their understanding of how the Audit and Governance Committee gain assurance over management processes and arrangements.
Review of the CIPFA publication Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)	A report setting out CIPFA's view on the role and functions of an audit committee and how this may impact on Cheshire East arrangements.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation.
Standards Review	Review of Members Standards Procedures.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
27 March 2014	
Compliance with Contract Procedure Rules	A report setting out the number of non-compliance instances in the previous period, broken down by Service, and a description of exceptional instances.
External Audit – Audit Plan 13/14	External Audit's planned work for the audit of financial statements and the value for money conclusion 13/14.

Audit and Governance Committee Work Plan 2013/14

Committee Date/Agenda Item	Description
Internal Audit Plan 13/14	Approval of risk based Internal Audit Plan for following year.
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process.
Whistleblowing Policy	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2013/14.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation.
Compliance with Regulation of Investigatory Powers Act (RIPA)	A report on the Council's compliance with the Regulation of Investigatory Powers Act.
Members Code of Conduct Complaints Update	Update on the number and outcome of complaints.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
	<i>The following items may, subject to requirement, be presented to the Committee.</i>
Insurance	Where necessary, 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. To be included in a future Risk Management Update Report.
Anti Money Laundering	Consideration of any updates to the Anti Money Laundering Policy and assurance from management that measures are operating effectively.
Training for Standards Hearings	Hearings training for panel members.

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	28 th November 2013
Report of:	Chief Operating Officer
Subject/Title:	Annual Audit Letter 2012/13
Portfolio Holder	Councillor Peter Raynes

1.0 Report Summary

- 1.1 The report summarises the External Auditors' findings from the 2012/13 audit.
- 1.2 The report comprises of three elements, the audit of the financial statements, the arrangements to secure value for money and the certification of grant claims and returns.

2.0 Recommendation

- 2.1 That members receive and comment on the Annual Audit Letter for 2012/13.

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 – Carbon Reduction, Health

- 6.1 None.

7.0 Financial Implications

- 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 Annual Audit letter has been prepared to meet the requirements set out in the Statement of Responsibilities of Auditors.

10.0 Background and Options

- 10.1 The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Grant Thornton reported the detailed findings from their audit work to those charged with governance in the Audit Findings Report on 27th September 2013.
- 10.2 Representatives from Grant Thornton will be attending the meeting to answer any questions raised by members on the Annual Audit Letter.

11.0 Access to Information

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

Name: Joanne Wilcox
Designation: Corporate Finance Manager
Tel No: (01270) 685869
Email: Joanne.wilcox@cheshireeast.gov.uk

Appendix 1: Cheshire East Council Annual Audit Letter 2012/13

The Annual Audit Letter for Cheshire East Council

Year ended 31 March 2013

18 October 2013

Judith Tench

Engagement Lead

T 0161 214 6369

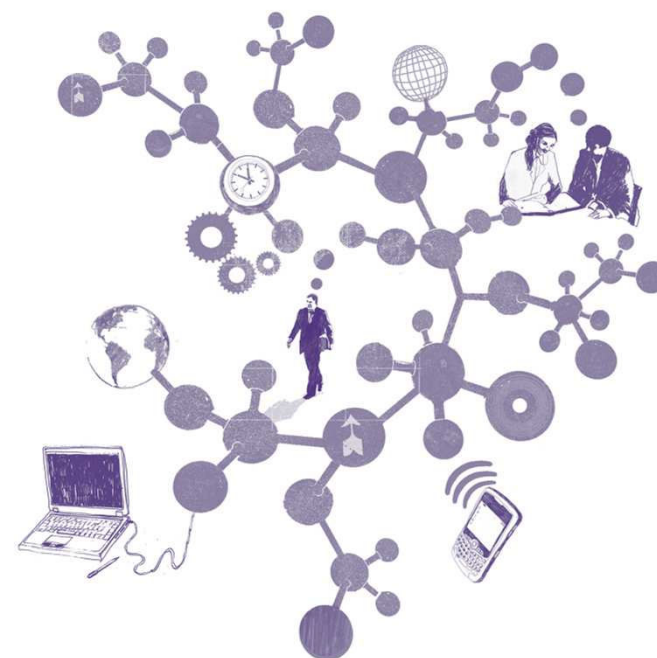
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Manager

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter summarises the key findings arising from the following work that we have carried out at Cheshire East Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 27 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 28 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

Our audit conclusions in relation to 2012/13 are:

- An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year. The Council presented its draft accounts for audit by the national deadline. The accounts were supported by good quality working papers.
- The Council has - in all significant respects - put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. We have qualified that conclusion due to weaknesses in the Council's:
 - arrangements to procure goods and services;
 - understanding of costs and performance; and
 - arrangements to develop business proposals and manage significant projects. The Council made significant improvements to its arrangements to develop business proposals and manage major projects during the latter part of 2012/13. These improvements address the weaknesses reported by the Audit Commission last year but were not in place for the whole of 2012/13.
- An unqualified opinion on the Whole of Government Accounts return.
- We certified the NNDR grant claim without amendment. Arrangements are in place to certify the Housing Benefit claim, Teacher's Pension return and Transport grant by the end of November.

Key messages

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

- The Council managed its 2012/13 finances within its revised net revenue budget of £239m and achieved a small surplus of £300,000. This is an improved outcome when compared with overspends in previous years.
- The Council had an ambitious savings target of £21.7m for 2012/13, with a challenging delivery plan. The Council delivered this plan, alongside emerging in-year pressures, by the identification and implementation of appropriate mitigation plans secured by the year end.
- Corrective action and savings in the final quarter of the year, together with additional funding within adults directorate, led to an improvement of £5.8m in the overall outturn position compared to the third quarter. The planned contribution of £7.3m to general reserves was exceeded by the £300,000 surplus. The Council's general reserves are now £19.0m.
- Like many others the Council faces continuing tough times to achieve financial balance. A Medium Term Financial Plan (MTFP) is in place covering the period 2013 to 2016. It includes budget shortfalls of £22.4m over the next two years.
- Following governance failings reported by internal audit, the Council's previous auditor and the designated independent person's (DIP) review of Lyme Green there have been a number of changes in senior staff. The timing of these changes meant that three of the Council's most senior officers were interim appointments for large parts of 2012-13. Under the leadership of the interim Chief Executive the management team made good progress to address the reported issues.
- The new Chief Executive will complete the organisation re-structure during 2013-14. This is an important step towards addressing the weaknesses noted in the Council's annual governance statement for 2012-13. It is also a key part of its vision to become a commissioning body.
- The Council has ambitious plans to become a commissioning body over the next few years. It has already created Tatton Park Enterprises - to manage the park's catering services - and the new development company, Engine of the North. The Council is also developing its proposals to create a leisure trust and other arms length bodies to deliver waste and bereavement services. The Council intends these new bodies to be wholly owned companies remaining under its control.
- As it moves towards differing models of delivering services the Council will require robust governance and risk management both itself and also its arms length service providers. The Council also needs to ensure that its policies, procedures and decision making processes remain fit for purpose during this period of significant change. This is important to maintain proper governance and stewardship of public money, help ensure that any new bodies operate successfully and, importantly, demonstrate value for money.

The recommendations that flow from our audit work were set out in our audit findings report presented to the Audit and Governance Committee in September 2013. The agreed action plan will be considered by that Committee in November.

Acknowledgements

This report has been agreed with the Council's Chief Executive and Chief Operating Officer. It will be presented to the Audit and Governance Committee in November and to the Cabinet in December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 30 June 2013, in accordance with the national deadline. Appropriate working papers and finance staff were made available from the start of the audit fieldwork, which commenced on 15 July 2013. Council Quality Assurance processes for producing the accounts have much improved for 2012/13, continuing the trend from 2011/12 and this has been reflected in the good quality of draft accounts provided for audit.

Issues arising from the audit of the accounts

The Council agreed to amend the draft accounts for all errors raised during the audit. None of the errors impacted on the Council's general fund balance.

A number of the misclassification and disclosure errors in the draft accounts arose from the incorrect treatment of land associated with the Council's Extra Care Housing PFI scheme. We also identified some other potential differences in the accounting treatment of this PFI scheme. The Chief Operating Officer has agreed to review these differences during the 2013/14 accounts preparation and audit.

Annual Governance Statement and Annual Report

We have reviewed the content of the Council's Annual Governance Statement and Annual Report and concluded they contain the necessary disclosures and are not inconsistent with our knowledge of the Council's affairs.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit and Governance Committee at the Council). We presented our report to the Audit and Governance Committee on 27 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Value for Money

Scope of our work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Local context

The Council's 2012-13 net budget of £239m was set in the context of significant funding reductions and the need to generate some £21.7m in savings in-year. As expected, the Council experienced greatest cost pressures within adults, (£7m), and children's, (£8.9m), services. At the year-end the Council reported a small underspend of £300,000 - having made its planned contribution of £7.6m to its general reserves. The Council's general reserves of £19m are now more in line with the level of financial risk set out in its medium term financial plan.

The challenging financial climate has continued to shape the Council's borrowing strategy - to use cash balances to fund capital expenditure rather than raise new loans. This approach has been used successfully for a number of years given the low interest rates available for cash investments.

The Council spent £51.4m, (61%), of its approved capital budget of £83.8m for 2012-13. This underspend followed a comprehensive review of the programme during the year to focus upon initiatives with the highest priority and closest links to the Council's strategic objectives.

Following governance failings reported in June 2012 there have been a number of changes in senior staff. The timing of these changes meant that three of the Council's most senior officers were interim appointments for large parts of 2012-13. Under the leadership of the interim Chief Executive the management team made good progress to address the reported issues.

The new Chief Executive will complete the organisation re-structure during 2013-14. This is an important step towards addressing the weaknesses noted in the Council's annual governance statement for 2012-13. It is also a key part of its vision to become a commissioning body.

Value for Money

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

The Council's current arrangements for securing financial resilience are satisfactory. Since 2009 the Council has faced significant financial pressures and continues to do so in 2013/14. Over that time the Council's arrangements have continued to evolve and a number of improvements were made in 2012/13. For example agreeing the 2013-16 Medium Term Financial Plan following a refresh of the budget setting process.

Further improvements are being made in 2013/14 including the introduction of a Financial Resilience Update Report to Cabinet in July 2013.

Our work has also identified areas where further improvements can be made:

- Budget monitoring and reporting processes continue to develop. But more needs to be done to ensure that tough decisions are taken when setting the budget rather than relying on services to deliver savings in year.
- The Council recorded a small underspend for 2012/13. The outturn for the first quarter of 2013/14 indicated that services were already facing budget pressures of £7.5m, with mitigation action identified to cover £4.3m. Realistic forecasting is essential if the Council is to maintain control over its budget and avoid continuing to rely on remedial action late in the year.

Further details are provided in our Financial Resilience report, September 2013.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

The Council's current arrangements for prioritising resources are satisfactory in all significant respects.

The Council Plan, Sustainable Community Strategy and new 3 Year MTFP sets out its core purpose, reflects the changing role of local government and responds positively to the challenge of major funding reductions - in line with national and local policy changes.

The Council's business planning process together with its budgeting process provide the main mechanisms for identifying savings and growth areas. But weaknesses in the application of these processes undermined its ability to show that it was providing value for money throughout 2012/13. The Council made significant improvements to its business planning processes and its arrangements to manage major projects during the latter part of 2012/13. These improvements address the weaknesses reported by the Audit Commission last year but were not in place for the whole of 2012/13.

Significant progress has been made to support transparent decision making subject to appropriate risk management, challenge, scrutiny and review. The gateway model was introduced in August 2012, in part, to respond to the criticisms arising from the Lyme Green reports. A number of other improvements have also been made since late 2012 including:

- improvements to the business planning process;
- review and improvement of the council's performance management framework; and
- updated guidance and monitoring over the use of delegated decision notices.

Value for money

In March 2013 OFSTED inspected the Council's arrangements for the protection of children. The arrangements were assessed as inadequate. The Council responded positively to the report with actions to address many of the issues raised already in place when it was published. For example, the new Cheshire East Consultation Service now manages all contacts for children's services. It went live last April and will help address a number of the issues raised by OFSTED.

No other significant issues were raised by OFSTED or other agencies that impact upon the vfm conclusion.

Our work has also identified areas where further improvements can be made:

- The Council revised its capital budget in December 2012 to £75m. But as at 31 March 2013 had spent £51.4m – an underspend of £23.3m. While the gateway process is improving capital planning processes there is more to do to ensure the Council can accurately set and manage a realistic capital budget. Inevitably this will need members to take tough decisions about what the Council can and cannot do and live within its means.
- Efficiency and savings plans are reported in sufficient detail in the quarterly performance reports to members. However these reports lack detailed information on unit costs and limited use is being made of benchmarking data. As a result the Council is less able to monitor achievement of efficiencies and reductions in unit costs, and understand and consider any impact on service quality and provision. The Financial Resilience update reports introduced in July 2013 are starting to address these gaps.
- The Council recognises that its approach to procurement needs to improve and has engaged consultants to undertake an initial review leading onto a detailed project intended to transform its' processes. At this early stage the Council are aiming to secure savings of some £1.85m.

- The Council's vision is to become a commissioning authority in the medium term. As it moves towards differing models of delivering services the Council will require robust governance and risk management for both itself and its arms length service providers. The Council also needs to ensure that its policies, procedures and decision making processes remain fit for purpose during this period of significant change. This is important to maintain proper governance and stewardship of public money, help ensure that any new bodies operate successfully and, importantly, demonstrate value for money.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013, except for weaknesses in its:

- arrangements to procure goods and services.
- understanding of costs and performance.
- arrangements to develop business proposals and manage significant projects. The Council made significant improvements to its arrangements to develop business proposals and manage major projects during the latter part of 2012/13. These improvements address the weaknesses reported by the Audit Commission last year but were not in place for the whole of 2012/13.

Overall, the Council made significant improvements to its arrangements during the course of the year and ended in a much better position than it started. It delivered the 2010/13 budget and achieved a small surplus. Further improvements have been made since April 2013. The Council now has access to better information and processes to help it set out how it is prioritising resources and to demonstrate efficiency and improved productivity.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

For 2012/13 we plan to certify claims for Housing Benefits, National Non Domestic Rates (NNDR), Teacher's Pensions and a Transport grant. At the time of writing we have certified the NNDR return and expect to certify the remaining claims by the end of November, according to the deadline set by the issuing government department. The NNDR claim was certified without amendment on 20 September 2013 relating to £126.9 million contribution to the NNDR pool.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit. There were no fees for the provision of non audit services.

Fees excluding VAT

	Per Audit plan £	Actual fees £
Audit Fee	205,050	205,050
Grant certification fee*	41,600	tbc
Total fees	246,650	246,650

* Grant certification work is on-going and £41,600 is our current estimate. The final fee will be reported to the Audit and Governance Committee later in the year in our annual certification report

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	28 March 2013
Audit Findings Report	27 September 2013
Certification report	To follow – December 2013
VfM – Financial Resilience Report	19 September 2013
Annual Audit Letter	17 October 2013



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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 28th November 2013
Report of: Chief Operating Officer
Subject/Title: 2012/13 Audit Findings and Action Plan
Portfolio Holder: Cllr. Peter Raynes / Cllr. Barry Moran / Cllr. David Brown

1.0 Report Summary

- 1.1 This report sets out the management response to the 2012/13 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee on 28th September. Specific improvement actions are proposed to address the auditors' recommendations and target dates for implementation are also provided.

2.0 Recommendation

- 2.1 Members are asked to note and endorse the management responses and action plan set out in Appendix 1.

3.0 Reasons for Recommendations

- 3.1 The external auditors are required under the Audit Commission's Code of Practice to report whether, in their opinion, the Council's financial statements present a 'true and fair view' of the financial position for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They are also required to reach a conclusion on the whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- 3.2 In arriving at their opinion and conclusion for 2012/13, the auditors have made a number of specific recommendations for improvement, which the Council will need to address in order to sustain the positive progress already made, and acknowledged by the auditors. This will further strengthen its financial reporting, stewardship and governance arrangements.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including – Carbon Reduction, Health

- 6.1 There are no specific policy implications arising from the recommendations in this report

7.0 Financial Implications

- 7.1 It anticipated that any cost implications arising from the recommendations in this report will be contained within existing budgets.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 There are no specific legal implications arising from the recommendations in this report.

9.0 Risk Management

- 9.1 Failure to satisfactorily address the audit findings and recommendations from 2012/13 may expose the Council to further audit qualification in the current and future financial years, with consequent reputational damage, and the possibility of increased audit fees. The management responses set out in Appendix 1 are intended to avoid this outcome, improve overall financial stewardship and therefore mitigate this risk.

10.0 Background and Options

- 10.1 The Council's auditors, Grant Thornton presented their annual audit findings report to the Audit & Governance Committee on 28th September. These findings, along with the accompanying Financial Resilience Report, formed the basis of their audit opinion on the financial statements, and value for money conclusion.
- 10.2 Grant Thornton provided an unqualified opinion on the accounts, and concluded that the Council's arrangements for securing value for money were adequate, except for weaknesses in its:-
- Arrangements for procuring goods and services
 - Understanding of costs and performance
 - Arrangements for developing business proposals and managing significant projects.
- 10.3 The auditors set out some specific recommendations for improvements which are set out in Appendix 1. These recommendations cover three main areas:-
- Statutory Accounts – 3 MEDIUM priority recommendations
 - IT Controls – 4 LOW priority recommendations
 - Value for Money – 7 HIGH priority recommendations.

- 10.4 In developing responses to these recommendations, managers have paid due regard to the need for actions proposed to be robust, realistically deliverable within the agreed timescales and also proportionate, taking into account the level of priority. It is also important that these actions complement and build on the substantial progress that has already been made, and is referred to throughout the Audit Findings Report and also in the Annual Audit Letter, where with regard to Value for Money arrangements, the auditor has commented that :-

‘Overall, the Council made significant improvements to its arrangements during the course of the year and ended in a much better position than it started. It delivered the 2012/13 budget and achieved a small surplus. Further improvements have been made since April 2013. The Council now has better information and processes to help it set out how it is prioritising resources and to demonstrate efficiency and improved productivity.’

- 10.5 Other specific improvements referenced by the auditors include:-

- Improved financial planning and control arrangements, including revised budget setting and Medium Term Financial Planning processes
- Introduction of a Financial Resilience Update report, to support Member decision making and help create a sustainable financial environment for the Council
- Significant progress to enable transparent decision making subject to appropriate risk management, challenge, scrutiny and review.
- Review and improvement of the council’s performance management framework
- Engagement of external consultants to undertake a health check of procurement activity and support transformation of current processes
- New gateway process for managing major projects and capital budgets
- Updated guidance and monitoring over the use of delegated decision notices.

The management responses to the specific recommendations made by Grant Thornton are presented in Appendix 1. These actions will embed, sustain and complement the range of positive developments that have already taken place within the Authority. The main objective is to ensure continuous, targeted improvements to the overall financial governance and stewardship of the organisation in these difficult and austere times.

Given the very difficult financial environment that Local Government is operating in, it should be noted that the current financial health of Cheshire East is relatively strong. In most key areas the Authority is continuing to provide a very good level of service off a significantly lower cost base than in previous years. It is equally clear that the fiscal challenges will get even more

difficult in the future and the importance of strong strategic financial management and resilience will be essential.

11.0 Access to Information

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

Name: Christine Mann

Designation: Finance Manager

Tel No: 01270 686229

Email: Christine.mann@cheshireeast.gov.uk

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	The Council needs to review the calculation of the Council Tax and NNDR bad debt provisions. The current methodology uses 2001/02 arrears as the basis for the calculation. However, those arrears will have been reduced by amounts written off. As a result, provisions will be understated but not by a material amount.	Medium	A revised basis for calculating the Council Tax and NNDR bad debt provision is being developed and will be agreed with Grant Thornton as part of the 2013/14 Final Accounts closedown arrangements.	March 2014 Corporate Manager Resources
2.	The gifts and hospitality returns are maintained via paper returns for both members and officers. Returns for members are maintained by the Council's monitoring officer and for officers, by their managers. The Council should consider centralising gifts and hospitality returns for all departments and members.	Medium	A central record of gifts and hospitality returns will be set up and maintained by the Democratic Services and Governance Manager.	December 2013 Democratic Services & Governance Manager

3.	The Council should review and strengthen its procedures for producing the officers' remuneration and termination payments notes (Notes 25, 26 & 27).	Medium	<p>The source reports will be reviewed and amended to include all the required elements as part of the planning for the 2013/14 Final Accounts Closedown Programme.</p> <p>Appropriate training will also be included in the Closedown Programme to ensure that officers have full understanding of the data included in the reports and an additional quality assurance process will be undertaken, involving HR officers.</p>	<p>March 2014</p> <p>Corporate Manager Resources</p>
4	The responsibility of administering security within Oracle Financials should be performed by IT system administrators who do not perform programming duties, and the practice of granting programmers greater than read-only access into production environments should be halted.	Low	<p>Currently ICTSS and HR & Finance Shared Services have the access to carry out system administration. It is proposed that responsibility for all levels of support will sit within the Separate Legal Entity (SLE), therefore technical administration will be carried out by ICT and financial reporting by HR&F – this will provide appropriate segregation of duties.</p> <p>Access to greater than read-only which is over and above that required for individual job roles will be removed. Access will be granted at the higher levels via strict approval as and when required and removed when completed.</p>	<p>March 2014</p> <p>Corporate Manager ICT</p>

5	Password complexity should be enforced within Oracle Financials.	Low	This will be implemented.	March 2014 Corporate Manager ICT
6	Management should periodically perform formal reviews of user accounts and group membership assignments within Active Directory for appropriateness.	Low	Staff will be reminded that it is their and their manager's responsibility to ensure that they have the correct and appropriate permissions to perform their role and that if they leave or move roles then permissions will be reset accordingly. User roles and group membership will be reviewed as part of organisational redesign and transformational projects such as Next Generation Desktop and changes implemented.	March 2014 and ongoing Corporate Manager ICT
7	Documented policies and procedures covering batch administration, monitoring and error handling within Oracle Financials should be established. These should be formally approved by the appropriate officers and communicated to relevant staff.	Low	Current processes will be reviewed and updated where necessary. Clear communication will then be issued.	March 2014 Corporate Manager ICT
8	Follow the principles set out in the revised budget setting process to ensure that budgets are realistic at the outset and therefore less reliant on remedial savings	High	The revised budget setting process agreed by Cabinet in July is being fully adhered to as part of the development process for the 2014/15 – 2016/17	Clear ongoing responsibility for all budget holders. Chief Operating Officer will

	during the year.		<p>Medium Term Financial Strategy.</p> <p>It is clear that stronger financial management has been in place throughout 2013/14. Forecasts at Q1 and Q2 reflect a more stable, managed position, without huge overall fluctuations. Work is continuing to try to achieve a balanced budget by the end of the year and the direction of travel is positive.</p> <p>Given the scale of the budget challenges being faced by all local councils in the current financial environment, flexing of budget delivery plans during the year is inevitable but this will be achieved in a more measured and controlled way.</p>	ensure compliance and ensure that the budget setting process remains fit for purpose in the future.
9	Ensure that the capital budget is set at a realistic level at the start of the financial year by identifying only core projects that the Council can afford, are linked to its strategic objectives and therefore avoid in year slippage.	High	<p>A Capital Challenge session has been arranged as part of the business planning process to review the current programme and ensure that on-going projects are prioritised according to strategic objectives and are deliverable within profiled budgets. This exercise has been informed by a review of the reasons for slippage in previous years, which identified a number of factors that have contributed to this issue. This was not linked to affordability but it is clear that improvements in both planning and delivery were required.</p> <p>All new projects considered for inclusion in the capital</p>	<p>Capital Challenge Session November 2013</p> <p>Programme development on-going and programme approved February 2014</p> <p>Chief Operating Officer in conjunction with EMB and TEG arrangements</p>

			<p>programme as part of the 2014/17 business planning round will go through a managed gateway process. This ensures that proposals are affordable, technically robust, consistent with the Council's strategic objectives, identify clear benefits and are supported by clear and fully resourced delivery plans.</p> <p>Monthly project highlight reporting is also used to track progress on all schemes and to proactively identify and address any slippage issues.</p> <p>Prioritisation of schemes within the programme will be subject to regular review in the light of new funding and investment opportunities, which may arise in –year so that flexibility is maintained and value for local residents and businesses is maximised.</p>	
10	Gain a greater understanding of unit costs to identify areas for potential savings and refer to these alongside benchmarking data in the Financial Resilience Update Report to make more informed management decisions.	High	<p>Significant progress has already been made in this area during 2013/14. This is evidenced by improved decision making, lower cost of placements and more effective demand management in critical areas such Adults and Children.</p> <p>All authorities are seeking to continually improve their understanding of unit costs and service cost base. Our development will be tied into the new commissioning structure being developed by the Council. This approach will promote a greater challenge in relation</p>	<p>Evidenced baseline assessment March 2014</p> <p>Strategic Commissioning Leadership Team (supported by the Chief Operating Officer)</p>

			to the delivery of priority outcomes.	
11	Apply the recommendations from the procurement transformation project as it develops to deliver the necessary procurement savings.	High	This project is being taken forward at pace with a comprehensive detailed spend analysis already available. A Procurement Board has been established to oversee the delivery of the procurement efficiency programme and to deliver an ambitious cost avoidance and savings programme. The project will be implemented in accordance with the corporate gateway process.	Procurement Board established October 2013 The Chief Operating Officer will oversee the ongoing developments and refine the remit and arrangements where appropriate to ensure that the project remains fit for purpose and continues to deliver the required benefits.
12	Ensure that robust governance and risk management arrangements are embedded in the Council and in the emerging arms length companies being created by the Council.	High	The ASDV framework set out the principles of expected governance requirements from ASDVs. The effective governance and stewardship of the ASDVs will be achieved by a combination of clear accountability to the Shareholder Committee and Council Client Function. This will be supported by clear and transparent internal and external audit arrangements. A framework for scrutiny will also be developed to ensure regular reporting on performance, outcomes	Chief Operating Officer will oversee the set-up of the governance and stewardship arrangements – March 2014 On-going review of arrangements to make sure that they are fit for purpose.

			and VFM will be provided to the Corporate Scrutiny Committee of the Council.	
13	Ensure that the Council's policies, procedures and decision making processes remain fit for purpose during the period of significant change to a commissioning authority.	High	<p>A Constitution Working Group, led by the Monitoring Officer has been established to work with the Constitution Committee on the on-going review and update of the Council's formal decision making framework. Proposals for changes to the Officer Scheme of Delegation were considered and agreed at Council in October.</p> <p>The Corporate Governance Group, chaired by the Chief Operating Officer will have revised 'terms of reference' and will be given a specific focus to ensure that the operational arrangements for governance, stewardship and decision making are appropriate and meet the needs of the new Commissioning Authority.</p> <p>This Group will keep the arrangements under constant review to ensure that the Authority remains fit for purpose as during the transition and responds positively to the wider commissioning agenda and changing service delivery landscape.</p>	<p>Monitoring Officer – October/December 2013</p> <p>Chief Operating Officer will oversee ensure compliance and accountability and keep arrangements under review with appropriate Member engagement.</p>

14	Ensure that Council policies are followed and decision making is – and is seen to be - transparent to the public when developing business plans and entering into significant projects.	High	<p>All council policies have been followed. All Cabinet meetings, debates and the formal decisions are now subject to live web-casts which can be viewed on-line via the Council's website.</p> <p>Further work is continuing to improve the forward planning arrangements. This will give the public even better advance notice of key decisions and clearer and more comprehensive records of agreed outcomes.</p>	Chief Operating Officer will continue to oversee the arrangements.
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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 28th November 2013
Report of: Chief Operating Officer
Subject/Title: External Audit Update
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 The report provides the Audit and Governance Committee with an update from the external auditors, Grant Thornton on progress in delivering their responsibilities.

2.0 Recommendation

- 2.1 That members receive and comment on the update report.

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 – Carbon Reduction, Health

- 6.1 None.

7.0 Financial Implications

- 7.1 As covered in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 There are no specific legal issues associated with this report.

9.0 Risk Management

- 9.1 There is a risk that the Council will be unaware of progress against the audit plan and emerging issues and developments which may be of relevance if this report is not considered.

10.0 Background and Options

- 10.1 The report provides an update from Grant Thornton on progress in delivering their responsibilities as our external auditors.
- 10.2 The report also highlights emerging issues and developments which may be of relevance to Cheshire East.
- 10.3 The report includes a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.
- 10.4 The Audit Manager from Grant Thornton will be attending the meeting to answer any questions raised by members on this report.

11.0 Access to Information

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

Name: Joanne Wilcox
Designation: Corporate Finance Manager
Tel No: (01270) 685869
Email: Joanne.wilcox@cheshireeast.gov.uk

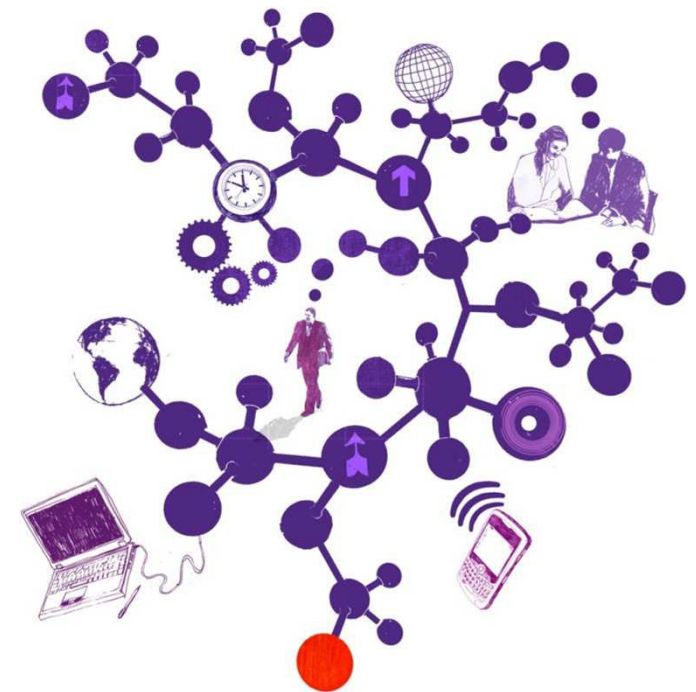
Appendix 1: Audit & Governance Committee Update for Cheshire East Council

Audit and Governance Committee Update for Cheshire East Council

Year ended 31 March 2014

28 November 2013

Stephen Nixon
Manager
T 0161 234 6362
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Unitary Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact your Audit Manager using the contact details at the front of this report.

Progress at 28 November 2013

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	27 March 2014	N	The Accounts Audit Plan is presented to the Audit and Governance Committee once the interim accounts audit is completed. The Audit Commission has confirmed the audit fee for 2013/14 accounts audit and VFM conclusion at £205,050.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	Interim accounts site visit between mid February and mid March 2014 Early VFM conclusion and Financial Resilience work February 2014	N	Dates to be confirmed
2013-14 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	Between 1 July 2014 and early September 2014	N	Dates to be confirmed

Progress at 28 November 2013

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion is prescribed by the Audit Commission and comprises evidence to support : <ul style="list-style-type: none"> the organisation has proper arrangements in place for securing financial resilience the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	Early VFM conclusion and Financial Resilience work February 2014 Revisit of VFM conclusion evidence July 2014	N	We have noted the Council's preference for earlier review of the 2013/14 VFM conclusion evidence than in 2012/13. We have programmed the work to be completed during February and July 2014.
Other areas of work – 2012/13 grant certification National Non Domestic Rates (NNDR) Teacher's Pension Housing Benefits Transport Grant	September 2013 November 2013 September to November 2013 November 2013	Y N N N	At the time of writing three of these audits are awaiting formal sign off ready for the government deadline. A verbal update will be provided to the Audit and Governance Committee.

Emerging issues and developments

Local government guidance

Preparing for the Health and Social Care Integration Transformation Fund

The 'Integration Transformation Fund' is a single pooled budget for health and social care services to work more closely together in local areas. The [Integration Transformation Fund statement](#), signed on 8 August between the LGA and NHS England sets out the background and provides a roadmap for local areas to plan in the run up to the fund taking full effect from 2015/16. Authorities need to plan with their partners for access to the fund. In summary:

- £3.8bn will be available for 2015/16, with funds transferred mainly from existing CCG budgets
- in order to access and deploy the fund locally, CCGs and local authorities will need to prepare joint plans signed off by Health & Wellbeing Boards
- even though the funds are not available until 2015/16, local areas will need to work together to produce two ear plans for 2014/15 and 2015/06. This is because access to £1bn of the funding in April 2015 is performance related, taking account of achievements in 2014/15
- ultimately Ministers will approve and sign off the plans, following review and assurance from NHS England

Challenge question:

- How is your authority planning to work with its partners to formulate joint plans and obtain funding?

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published '[Income from charging: Using data from the VFM Profiles, September 2013](#)'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?
- Has your Chief Operating Officer reviewed the council's charging policy and levels of income against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

Challenge questions:

- Does your authority have a properly functioning procurement process, where duties are clearly segregated?
- Does your authority maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Challenge questions:

- How are you planning to improve the preparation of your financial statements for 2013/14?
- Do your financial statements provide a clear overall picture of the financial performance of your authority?
- Has your Chief Operating Officer carried out a de-cluttering exercise to ensure that disclosures are relevant, material and up to date?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Chief Operating Officer and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Chief Operating Officer reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?
- Where your authority is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial and has an action plan been put in place to address non-compliance issues in future years?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a [briefing note on the Local Audit and Accountability Bill](#). The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Corporate Governance Group
Title: Governance Update – Governance Framework, Code of Corporate Governance and the Annual Governance Statement (AGS)
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 The purpose of this report for the Committee is to; agree the update to the Council's Code of Corporate Governance, to note the ongoing work by the Corporate Governance Group in respect of the Council's Governance Framework, to note the progress in relation to the AGS 2012/13 Emerging Issues and Action Plan, and agree the process for the production of the 2013/14 AGS.

2.0 Recommendation

- 2.1 To note and agree the update to the Council's Code of Corporate Governance (Appendix A).
- 2.2 To note the ongoing work on the Council's Governance Framework (Appendix B).
- 2.3 To note the progress in relation to the Emerging Issues and Action Plan published in the AGS 2012/13. (Appendix C).
- 2.4 To consider and endorse the process for the production of the 2013/14 AGS.

3.0 Reasons for Recommendation

- 3.1 **Code of Corporate Governance and Governance Framework (Appendices A & B)** - In accordance with the Council's Constitution, the Audit and Governance Committee is responsible for "developing a Code of

Corporate Governance and to undertake as appropriate an assessment of wider governance issues”.

3.2 **2012/13 Action Plan (Appendix C)** – the AGS process provides a continuous review of the Authority’s governance arrangements to give assurance on the effectiveness of processes and/or to address identified weaknesses.

3.3 **2013/14 Process** – the Accounts and Audit Regulations 2011 require the Council to provide an AGS and it is good practice to agree the process with Members in advance.

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 There are no specific financial implications. The production of the AGS is designed to align with the production of the Council’s Financial Statement (draft by end of June) and will be published alongside the audited accounts (approved by end of September).

8.0 Legal Implications

8.1 The production of the AGS is required by the Accounts and Audit Regulations (2011) and the process outlined is designed to meet this obligation.

9.0 Risk Assessment

- 9.1 Adoption and continuous review of the Code of Corporate Governance assists the overall response to a number of risks relating to adherence to good governance standards and the need to demonstrate effective governance.

10.0 Background and Options

Code of Corporate Governance

- 10.1 The Council has approved and adopted a [Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on the Council's website.
- 10.2 Cheshire East Council's original Code of Corporate Governance was approved by the Governance and Constitution Committee in November 2009. The Code has subsequently been reviewed and updated to reflect best practice and organisational changes.
- 10.3 As part of the Annual Governance Statement process, it is good practice to review the Code of Corporate Governance, and update as necessary. This review has taken place and there are a few minor changes to the Code. These can be summarised as follows:
- Revision of the introduction to the Code and re-formatting of the Code's layout to make it more user friendly
 - Changes in title e.g. "Chief Operating Officer" replaces "Director of Finance and Business Services"
- 10.4 To ensure the Code of Corporate Governance remains current and reflects the substantial change this authority is experiencing as it moves towards a Commissioning Council structure, regular updates will be brought to the Audit and Governance Committee.

Governance Framework

- 10.5 During 2012/13 the Corporate Governance Group produced a Governance Framework; this has previously been shared with the Member/Officer Groups and the Committee and was included in the Annual Governance Statement for 2012/13. The purpose of the framework is to show the various officer groups and Committees which are involved in monitoring and developing governance across the Authority, and either directly or indirectly involved in the Annual Governance Statement process. The

latest version is brought to Committee to note the ongoing development of the Framework.

- 10.6 The Framework has been updated to reflect groups which are no longer in operation, new groups and to make the diagram more user friendly. Again, further changes to the Framework will be required to reflect the governance arrangements required as the Council moves closer towards an operational Commissioning structure. Updated versions of the Framework will be brought to future Committee meetings.

Update on Progress against the Annual Governance Statement 2012/13 Action Plan

- 10.7 As previously reported to the Committee, the Council is required to prepare and publish an Annual Governance Statement. This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework and is necessary to meet the statutory requirement set out in the Accounts and Audit regulations.
- 10.8 The 2012/13 AGS identified both emerging risks and significant governance issues for the authority. An update on progress of managing the emerging risks, and progress against the agreed actions for the significant governance issues is included at Appendix C.

Production of the 2013/14 Annual Governance Statement

- 10.9 To ensure the process for preparing the AGS is as efficient and comprehensive as possible, a number of changes are planned for the 2013/14 process. These include aligning parts of the process with the business planning process, enhancing the range of assurance providers, and improving the role of Internal Audit in challenging the assurances given.
- 10.10 The Corporate Governance Group is responsible for the production of the Statement, although in practical terms Internal Audit provide a lead on this. We are committed to reviewing and updating as necessary, both the process and Statement to ensure continuing compliance with best practice and embedding strong governance across the organisation throughout the year. This has, and will continue to use proportional resource.
- 10.11 Broadly, the contributing processes for producing the AGS are outlined below;
- Review and update the Code of Corporate Governance and Governance Framework

- Agree content and format of Management Disclosure Statements with Corporate Governance Group
- Agree content and format of questionnaires to be completed by other internal assurance providers (ICT Security, Risk Management, Performance etc)
- Completion of Disclosure Statements/Internal Assurance Provider questionnaires.
- Assessment of significant partnership governance arrangements (including Single Legal Entity and Alternative Service Delivery Vehicles where applicable, the AGS is a retrospective process)
- Self assessment against the Code of Corporate Governance
- Self assessment of Internal Audit against the Public Sector Internal Audit Standards
- Assessment of the effectiveness of the Audit and Governance Committee
- Consideration of sources of external assurance (External Audit, Ofsted, CQC etc)
- Assessment of the effectiveness of mitigating actions for approved strategic risks
- Head of Internal Audit opinion report

11.0 Access to information

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

Name: Peter Bates

Designation: Chief Operating Officer

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Email: peter.bates@cheshireeast.gov.uk

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What's changed? (1/2)

The introduction to the Code (p2) has been revised to make it more user friendly, whilst still providing succinct and relevant information about Corporate Governance, both in general terms, and how Corporate Governance operates within Cheshire East Council.



CODE OF CORPORATE GOVERNANCE

Cheshire East Council

November 2013

What is Corporate Governance?

Corporate governance is about the systems, processes and values by which Councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

Cheshire East Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled “Delivering Good Governance in Local Government – Framework”

The guidance defines the six core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- 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

What are the benefits of having a Code of Corporate Governance?

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. It enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and the management of risk.

Cheshire East Council has a robust governance framework in place. The documents and arrangements which comprise the framework demonstrate that the Council continually seeks to ensure it is and remains, well governed, through integration of with the core principles of the CIPFA/SOLACE framework into all aspects of the Council's conduct and operation.

The Chief Operating Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported to the Audit and Governance Committee for approval.

The production of the Annual Governance Statement, in compliance with the Accounts and Audit Regulations 2011, is presented to the Audit and Governance Committee annually in conjunction with the Statement of Accounts.

What's changed? (2/2)

The description of the six principles of Corporate Governance has been updated to enhance the links between the supporting principles and how Cheshire East Council demonstrates compliance, plus minor updates to reflect organisational restructures and changes to job titles. For example, using "Chief Operating Officer" instead of "Director of Finance and Business Services".

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:

Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users.	Develop and promote the authority's purpose and long term vision.
	Review on a regular basis the authority's priorities for the local area and its implications for the authority's governance arrangements.
	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.
	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.	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.
	Put in place effective arrangement to identify and deal with failure in service delivery.
Ensuring that the authority makes best use of resources, that tax payers and service users receive excellent value for money, and the charge to tax payers to be affordable and reasonable.	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 money and performance effectively. Measure the environmental impact of policies, plans and decisions.
	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.
	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.
	Ensure compliance with CIPFA's The Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council 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.	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.
	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.
	Ensure that the Chief Financial Officer, in this case the Chief Operating Officer (COO) 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.
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.	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.
	Make the Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management.
	Ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members.
	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.
	Make a senior officer (the Chief Operating Officer 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 and 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.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
	<p>Ensure that the CFO :</p> <ul style="list-style-type: none"> • 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. • has a line of professional accountability for finance staff throughout the organisation.
	Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.
	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.
	Make a senior officer (the Head of Legal Services and 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.	Develop protocols to ensure effective communication between members and officers in their respective roles.
	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).
	Ensure that effective mechanisms exist to monitor service delivery.
	Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust processes, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated.
	<p>Establish a medium term business planning process to deliver strategic objectives including:</p> <ul style="list-style-type: none"> • A medium term financial strategy to ensure sustainable finances. • A robust annual budget that ensures financial balance.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
	<ul style="list-style-type: none"> • A monitoring process that enables scrutiny of delivery and supports appropriate mitigation for estimates that may vary in year.
	Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
	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.
	When working in partnership 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.

Principle 3: Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
	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..
	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 and are effective.	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.
	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.
	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.
	Develop and maintain an effective mechanism for dealing with standards issues.
	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..
	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.

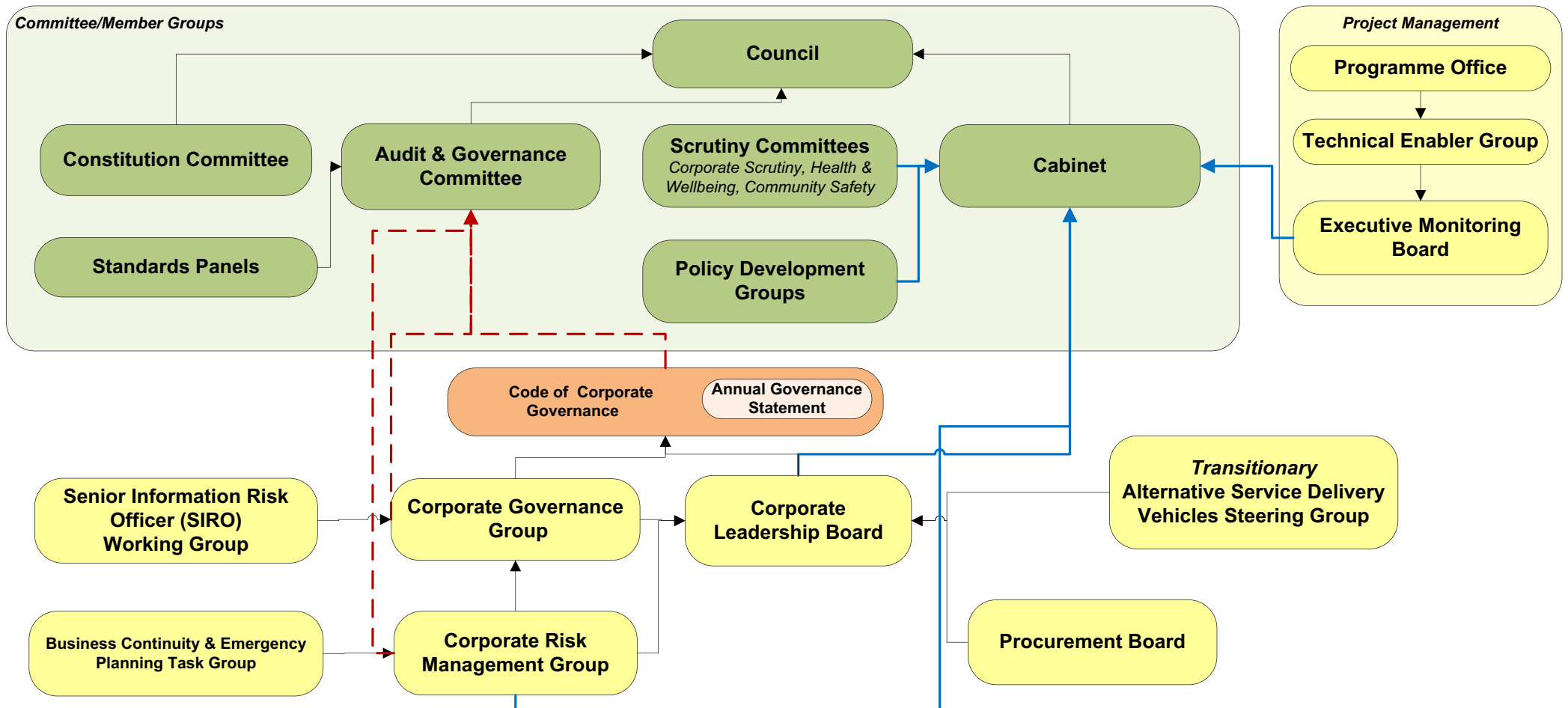
Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
Being rigorous and transparent about how decisions are taken and listening and acting on the 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.
	Ensure that the authority's governance arrangements allow the CFO direct access to the Audit and Governance Committee and External Audit.
	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.	Ensure those making decisions, whether for the authority or partnership, are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete, and gives clear explanations of issues and implications on both a financial and non-financial basis.
	Ensure information provided on the financial performance of the organisation to budget managers and senior officers is well presented, timely, complete and accurate.
	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.
	Ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions.
	Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance.
Ensuring that an effective risk management system is in place.	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.
	Ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
	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 authorisation and approval processes.
	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.	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.
	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.
	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	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council 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.	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.
	Embed financial competencies in person specifications and appraisals.
	Ensure that councillors' roles and responsibilities for monitoring financial performance 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.
	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.
	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.	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.
	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	
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;
Exercising leadership through a robust scrutiny function which effectively engages local people and stakeholders, including partnerships, and develops constructive accountable relationships.	Make clear to all staff and the community to whom they are accountable and for what.
	Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.
	Produce an annual report on the activity of the scrutiny function and promote a regular dialogue between executive and scrutiny functions.
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.	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.
	Hold meetings in public unless there are good reasons for confidentiality.
	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.
	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.
	On an annual basis, publish 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.
	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.	Ensure that staff are fully informed and have an opportunity to feedback with comments and suggestions.

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Sources of Assurance

Senior Managers	S151 Officer/Monitoring Officer	Internal Audit	Performance and Risk Management	External Audit	Other Sources/Review Agencies
<ul style="list-style-type: none"> Annual Disclosure Statements Self Assessment against the Code of Corporate Governance 	<ul style="list-style-type: none"> Budget Management Treasury Management Budget Task Group Constitution, standards, legislation and Schemes of Delegation 	<ul style="list-style-type: none"> Statutory function Risk based Member approved plan Annual and Interim Reports Annual Self Assessment 	<ul style="list-style-type: none"> Risk Management Framework Performance Management Framework Data Quality Strategy Quarterly Performance Reporting Scrutiny Committees 	<ul style="list-style-type: none"> Annual Audit Plan Annual Governance Report Annual Audit Letter 	<ul style="list-style-type: none"> Shared Services Joint Committee Ofsted Care Quality Commission

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Annual Governance Statement 2012/13 – Progress against Action Plan and Emerging Issues

Action Plan

	Issue	Actions Agreed	Responsible Officer/ Target Date	Progress Report
1	<p>Management Structure & Organisational Culture</p> <p>Weaknesses in the Council's organisational culture, which were a product of separate professional "silos" in the Council's management structure. These have sometimes caused confusion, poor decision making, and inefficiency, because it was not always clear who had authority to act and who was accountable ultimately for the success or failure of particular initiatives.</p> <p>See: Cabinet Report 4th February 2013</p>	<p>Move to new 'Strategic Commissioning' Operating Model</p> <p>Implement new management structure</p>	<p>Chief Executive</p> <p>September 2013</p>	<p>Phases 1 and 2 of the Management Review are now complete and Phase 3 has been scoped.</p> <p>The Council's organisational structure is being realigned. A Head of Resources and Stewardship post has been created to give a clear focus and leadership to the vitally important stewardship and governance requirements of the organisation as it goes through major transition.</p> <p>The Council will continue to review and update its internal client arrangements, ensuring these provide robust governance and assurance arrangements as the Council's commissioning structure develops.</p>
2	<p>Embedding Corporate Policies and Procedures and Ensuring Compliance</p> <p>The Council has a significant number of corporate policies and procedures, which have been mapped by the Corporate Governance Group.</p> <p>There is insufficient evidence from the various assurance sources that all Council policies and procedures are currently embedded amongst Officers. With minimal resources, monitoring to</p>	<p>Map Council's Assurance Framework and review to ensure adequate coverage in ensuring compliance.</p>	<p>Chief Executive</p> <p>September 2013</p>	<p>Work is well underway on developing an Assurance Framework, which maps the various sources of assurance to the Council using a recognised "Three Lines of Defence" model.</p> <p>This approach allows for assessment of each assurance source, allowing any duplication or gaps to be identified.</p> <p>Once identified, the actions necessary to reduce the gaps, or improve the quality of</p>

Annual Governance Statement 2012/13 – Progress against Action Plan and Emerging Issues

	Issue	Actions Agreed	Responsible Officer/ Target Date	Progress Report
	ensure compliance with policies and procedures is currently limited.			<p>assurance provision can be established. This will be carefully overseen by the Corporate Governance Group to ensure that compliance with internal policies and procedures can be reported on with greater surety.</p> <p>The timetable for development of the Assurance Framework is closely linked to the Council's transition to a commissioning structure (see Action 1) and, once established, will be subject to continual monitoring and revision to ensure it remains current.</p>

Emerging Issues

Two “Emerging Issues” were identified in the Annual Governance Statement 2012/13. These are repeated below, along with an update (in italics) on the current position.

Issue 1

Unprecedented pace of change currently within the Council, including:

1. Challenges of being a Commissioning Council – establishing needs assessment, commissioning plan and ensuring that Members and Officers are suitably skilled and trained.

With appropriate resources, suitable training can be provided by Members to fulfil any needs in respect of commissioning. As new Alternative Service Delivery Vehicles (ASDVs) are created, it will be possible for newly involved members to draw upon the experience and expertise of those who have been involved for a longer period of time.

Annual Governance Statement 2012/13 – Progress against Action Plan and Emerging Issues

2. High staff turnover – maintaining effective governance arrangements during transition period, particularly around statutory roles and functions.

Phases 1 and 2 of the Management Review are complete and Phase 3 is being scoped. There is significantly more stability in the senior management structure with the Chief Executive and Chief Operating Officer now in post, and the appointment of the Head of Legal Services & Monitoring Office, who will join the Council in the New Year.

3. Alternative Service Delivery Models – including governance arrangements and roles and responsibilities.

The risks and issues associated with this amount of change are being monitored by various aspects of the Council's Governance Framework, including the ASDV Steering Group, Corporate Risk Management Group, Corporate Governance Group, SIRO Working Group and Corporate Leadership Board.

4. Constitution – will require maintaining and updating to reflect changing organisational structure and new ways of working.

The Constitution Working Group has begun its programme of reviewing the existing Constitution with the intention of producing a fit for purpose, effective and stream lined document. One of the priorities of the group will be to identify ways of being able to reflect the organisational changes and agile working and where necessary ensure the Constitution also reflects the transition to a Commissioning Council.

Issue 2

The Government released a single year Comprehensive Spending Review for 2015/2016 on 26th June 2013. This set out a headline funding reduction of 10% in real terms. However, there are a number of other changes and pressures to be considered. These include changes to New Homes Bonus and Council Tax freeze compensation grants. As such the final impact on funding levels could be higher and several issues are being consulted on.

The Council's existing financial plans for 2015/2016 to 2016/2017 are based on a set of prudent assumptions including overall reductions in funding of 30% over those two years. Given all the uncertainty there are no plans to alter that position at this stage.

The Autumn Statement/Settlement on local government funding are expected mid-late December, at which point the current financial scenario assumptions will be updated. In the meantime, the 2014/17 Business Planning process is being progressed within the context of the prudent assumptions originally indicated.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Audit Managers
Title: Internal Audit Interim Report 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 The purpose of the report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2013/14, revisions to the plan and to summarise work during the first half of 2013/14 (see Appendix A).

2.0 Recommendation

- 2.1 That the Committee note the issues identified, endorse the approach to achieving adequate audit coverage in the remainder of 2013/14 and discuss future audit issues and ways of working as appropriate.

3.0 Reasons for Recommendation

- 3.1 This interim report addresses emerging issues in respect of the whole range of areas to be covered in the annual report, due in June 2014.

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 team must be appropriately resourced to comply with statutory and best practice requirements. Internal Audit was removed at a late stage from the recent Management Review, pending further discussion and review of Internal Audit resources in the light of the Council's transition to a strategic commissioning authority and the introduction of new delivery models.

8.0 Legal Implications

- 8.1 S151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2011 require a local authority to maintain an adequate and effective internal audit.
- 8.2 The Council's Constitution gives responsibility for overseeing the Council's role and responsibilities in respect of Corporate Governance and Audit to the Audit and Governance Committee.

9.0 Risk Assessment

- 9.1 The Authority is required to maintain an adequate and effective system of internal audit in accordance with Regulation 6 of the Accounts and Audit Regulations 2011. Failure to consider the effectiveness of its system of internal audit, and the opinion on Council's control environment, could result in non-compliance with the requirements of the Regulations.

10.0 Background and Options

- 10.1 The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, "in addition to the annual report, the Chief Audit Executive 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 and hence support a 'no surprises' approach, as well as assist management in drafting the annual governance statement".
- 10.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.

11.0 Access to information

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

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Designation: Audit Manager

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jon.robinson@cheshireeast.gov.uk

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Internal Audit

Interim Report 2013/14

April - September 2013

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Internal Audit Interim Report 2013/14 April – September 2013

1 Introduction

- 1.1 In accordance with the United Kingdom Public Sector Internal Audit Standards (PSIAS), the first Internal Audit Interim Report 2013/14 for Cheshire East Council contains “emerging issues in respect of the whole range of areas to be covered in the annual report”.
- 1.2 Internal Audit is required, at the end of the year, to form an opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified.
- 1.3 The interim report contains the following:
- a summary of the audit work carried out in 2013/14 to date (Section 2)
 - any issues judged particularly relevant to the preparation of the Annual Governance Statement (AGS) (Section 3)

- comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets (Section 4)
- comments on compliance with these standards and communication of the results of the internal audit quality assurance programme (Section 5)
- other developments (Section 6)

2 Summary of Audit Work 2013/14

- 2.1 This is the first 2013/14 interim report on progress against the Internal Audit Plan. A summary comparison of the 2013/14 Audit Plan with actuals for the half year to 30 September 2013 is shown on page 2 (with comments on variances).
- 2.2 During the first half of the year, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised a mix of risk based auditing, regularity, investigations and the provision of advice to officers.



Internal Audit Interim Report 2013/14 April – September 2013

Summary Comparison of Audit Plan 2013/14 and Actuals

Area of Plan	Plan		Actuals (to 30/9/13)		Comments on coverage
	Days	%	Days	%	
Chargeable Days	1565		813		Chargeable percentage above target.
Less: Corporate Work	(110)		(81)		Includes unplanned time on Management Review.
Available Audit Days:	1455	100%	732	100%	
Corporate Governance	60	4%	61	8%	Higher than planned due to Internal Audit leading on a number of areas within Corporate Governance work programme.
Key Financial Systems	120	8%	53	7%	Majority in progress and on track.
Shared Services (incl. key financial systems)	115	8%	87	12%	Majority completed. Alternative Service Delivery Vehicles (ASDVs) including the Shared Service SLE are a priority for remainder of 13/14.
Corporate Cross-Service	180	12%	96	13%	First draft Project Healthcheck imminent. This is priority in second half of year.
Children, Families & Adults	240	17%	98	13%	Major projects for second half of year include Care Management for Adults and Children. Also: a number of schools planned for third quarter.
Public Health	40	3%	16	2%	Work planned in third/fourth quarters.
Places & Organisational Capacity	120	8%	86	12%	Some unplanned areas: Planning work, Grants work etc.
Working with External Organisations	50	4%	3	0%	ASDVs will be a priority for second half of 13/14.
Anti Fraud and Corruption	180	12%	117	16%	Reactive – investigation work is being managed and limited wherever possible.
Consultancy & Advice	100	7%	52	9%	Broadly in line with allocation.
Contingency	190	13%	0	0%	108 days (57%) used to 30/9/13.
Follow Up	40	3%	61	8%	Consolidated Action Plan – introduction, set up, maintenance etc.
External Work - PATROL	20	1%	2	0%	13/14 audit will commence in last quarter.
Total Audit Days	1455	100%	732	100%	



Internal Audit Interim Report 2013/14 April – September 2013

Assurance Work

- 3.1 A summary of the reports produced in the first half of 2013/14 with the formal assurance level is included below (some of the audit reports are still at draft stage i.e. awaiting management comments):

Assurance Level	Audit Reports 2013/14
Good	0
Satisfactory	4
Limited	8
No	0

- 3.2 The assurance levels reported in the table above include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) e.g. Housing Benefits, Procurement and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion) e.g. Social Care establishment, Library.

- 3.3 The individual audit reports, along with details of the assurance level and key findings can be found in the table on pages 6 and 7.

Limited Assurance Reports

- 3.4 There are a number of 'limited assurance' reports in the first half of 2013/14 and these can be grouped under common themes:
- Key Financial Systems – identified risk areas (3.5/3.6)
 - National Fraud Initiative (NFI) exercise – identified risk areas (3.7)
 - Risk areas highlighted by management/previous audits (3.8 - 3.10)
- 3.5 The approach to key financial systems audits in 2013/14 was determined using self assessments completed by the Shared Services SLE, Cheshire West and Chester and Cheshire East Council management, and the respective Internal Audit teams. This resulted in audits being carried out on specific identified risk areas within the wider system/process, as detailed in 3.6.



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3.6 Key Systems Audits – identified risk areas audited in 2013/14 to date:

- Over £10k Workflow (Payments) – review of process whereby all orders over £10,000 go to the Procurement Team, via electronic workflow, to ensure compliance with Finance and Contract Procedure Rules.
- Changes and Leavers (Payroll) – review of processes in respect of employee changes and leavers including updating system accesses.
- Quick Invoice Rendering (Payments) – review of an ‘agreed exception’ process that enables end users to key invoices into Oracle or where there is no invoice to create a payment.
- Feeder and Web Based Ordering Systems (Payments) – review of systems, in the first instance, Atrium, which is the Council’s property management system and interfaces into the Oracle Payments system.

3.7 During the last National Fraud Initiative (NFI) exercise, issues were highlighted in two areas which led to more detailed audits being carried out:

- Licensing – an issue in the efficiency of obtaining data arising from problems in data transfer from the former Council’s legacy systems. A subsequent review of licensing data was carried out.
- Tax and NI – some employees are paid for additional duties outside of their substantive job role. A review of the processes the Council has in place to determine such payments and whether they should be subject to an employee arrangement was carried out.

3.8 An audit of Delegated Decisions and Non Compliances has been carried out. This was included in the 2013/14 Audit Plan and Management also requested that this review be carried out early in the year, as there were some concerns that the process had become excessive and unwieldy. The review’s conclusions included that the process in place was in excess of that specified in F&CPRs and that Delegated Decisions were making use of already specified exemptions and required input from a considerable number of senior staff and also took a considerable amount of time to process.



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- 3.9 A follow up audit of Purchase Cards has been carried out recently. The original audit report issued in September 2012 had a 'limited assurance' opinion. The follow up audit concluded that significant weaknesses still remained and that the key factor was a failure to allocate responsibility within the Council for ensuring recommended actions are successfully implemented.
- 3.10 Management has agreed to implement all the actions from the Purchase Cards audit report with overall responsibility resting with the Council's Procurement function, and delivery of the action plan jointly being delivered by Procurement and Business Support.
- 3.11 The audits detailed in 3.6 to 3.10 have all resulted in 'limited assurance', which is not unexpected, as they were all identified as risk areas. This is also consistent with the Internal Audit Opinion for 2012/13 (reported to Committee in June 2013) i.e. that 'although appropriate strategies and policies are in place and have been communicated, understanding, application and compliance is inconsistent across the organisation'.
- 3.12 Management has responsibility for ensuring that the agreed actions for improvement are implemented. Formal management responses to the above reports have been received, or are due in the coming weeks. Where responses have been received, all actions have been agreed by management. Internal Audit will obtain assurance that actions have been implemented, especially those deemed high priority.
- 3.13 Formal assurance levels for Internal Audit Reports were introduced in 2012/13. It is now considered an opportune time to review the levels for a number of reasons:
- They have been in operation for over 18 months.
 - Request by the new Chief Operating Officer to consider in light of emerging risk appetite of new strategic commissioning Council.
 - Reduced audit resource means that reviews carried out are normally on 'high risk' areas, naturally leading to assurance levels at the lower end of the scale.
 - Ability to compare with other Internal Audit services through regional collaboration work.



Internal Audit Interim Report 2013/14 April – September 2013

Summary of Assurance Reports 2013/14

Audit Report	Driver/ Background	Assurance Level	Key Findings/Actions	Management Response
Council Tax	Key Financial System	Satisfactory	Controls are adequate - some inconsistencies in application.	Meeting scheduled to agree final report.
Imprests	Planned Audit Area	Satisfactory	Majority of Imprest accounts are working as expected. Some issues arising from either a lack of guidance, recent updates to coding structures or a lack of compliance with best practice.	All actions agreed.
NNDR (National Non Domestic Rates)	Key Financial System	Satisfactory	Controls are adequate - some inconsistencies in application.	Meeting scheduled to agree final report.
School Financial Value Standard (SFVS) – Review of School Finance Team Arrangements	Supports SFVS Annual Assurance sign off	Satisfactory	Financial management of schools buying back services is effective; level of advice and support for schools is good; returns reflecting whether the schools are meeting the required standards of financial management. Some actions related to the good practice audits to take forward.	All actions agreed.
Changes and Leavers	Key Financial System – Identified Risk Area	Limited	Guidance needs improvement and some delays in processing changes and leavers.	All actions agreed.
Delegated Decisions and Non Compliances	Identified Risk Area	Limited	Process in place is in excess of that required in F&CPRS and not streamlined. Key action is for senior management, in conjunction with Members, to review the current arrangements and to determine what, if any changes, are necessary to ensure that the process is fit for purpose.	All actions agreed.
Feeder System - Atrium	Key Financial System –	Limited	Strengthening of segregation of duties required. Some	Formal response



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Audit Report	Driver/ Background	Assurance Level	Key Findings/Actions	Management Response
	Identified Risk Area		manual controls in operation.	awaited.
Licensing	NFI Identified Risk Area	Limited	Migration of data from legacy systems to the FLARE system not carried out in line with project management methodologies which resulted in an ineffective data migration.	All actions agreed.
Over £10k Workflow	Key Financial System – Identified Risk Area	Limited	A number of instances of potential non-compliance with F&CPRs were identified. Recommended that the Procurement Team investigate the remaining potential instances.	All actions agreed.*
Purchase Cards- Follow Up	Identified Risk Area – previous Limited Assurance	Limited	Insufficient progress in implementing recommendations from previous audit report. Ownership/responsibility for purchase cards needs allocating at a senior management level to ensure effective and robust operation.	All actions agreed.
Quick Invoice Rendering	Key Financial System – Identified Risk Area	Limited	Evidence where the process is working efficiently, on vision and in accordance with F&CPR. However, also evidence of potential non-compliance with F&CPR.	All actions agreed.
Tax & NI	NFI Identified Risk Area	Limited	Actions have been put in place to demonstrate compliance with HMRC regulations. This needs extending to a review of existing arrangements to identify and address historic issues.	All actions agreed.

*one action partially agreed subject to business case for additional resources being approved.



Internal Audit Interim Report 2013/14 April – September 2013

Other Work

Schools

- 3.14 Work is underway for the 2013/14 Schools Audit Programme. A number of Secondary Schools have been selected for a full audit along with a selection of primary schools for a themed audit of income and purchasing. These were areas identified as part of last year's programme that required additional audit work.
- 3.15 A review of the Schools Finance Team has also been undertaken. A large number of Cheshire East schools buy back the standard management package and there is therefore a high level of reliance by the schools on the services provided by the Schools Finance Team, which supports the need to obtain assurance that the arrangements are robust. The review concluded that satisfactory assurance could be placed on the arrangements. This overall work package supports the Annual Assurance sign off by the Section 151 Officer and confirms the number of Schools Financial Value Standard (SFVS) self assessment returns received and that there is an appropriate audit programme in place to provide assurance

over the standard of financial management, regularity and propriety of spending in schools.

Supporting Corporate Governance

- 3.16 In accordance with Regulation 4 of the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).
- 3.17 Internal Audit has assisted Management during 2013/14 so far by:
- collecting evidence for and production of the Annual Governance Statement 2012/13
 - contribution to and production of the Audit & Governance Committee report on Delegated Decisions and Non Compliances
 - Audit Manager representation on and contribution to the Corporate Governance Group (CGG) in order to advise on risk management, control, and governance issues that have been identified through audit work and ensure that the findings have been considered when determining the 2012/13 AGS action plan.



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- Audit work in contribution to and production of CGG reports to Corporate Leadership Board.

Risk Management

3.18 Internal Audit assists in the management of risk through:

- Delivery of a risk based audit plan
- Audit Manager representation on and contribution to the Corporate Risk Management Group (CRMG) in order to advise on risk management, control, and governance issues that have been identified through audit work.

3.19 Formal reports with regard to the risk management process are made throughout the year to Corporate Leadership Board, Cabinet and the Audit and Governance Committee.

3.20 A planned internal audit of the Council's risk management arrangements is due to be undertaken in quarter 3/4.

3.21 Internal Audit has supported Management in introducing a specific fraud risk in the Council's Strategic Risk Register and the development of a detailed fraud risk assessment. This

helps to ensure that a structured, consistent and continuous process is applied to identifying, assessing and managing the risk of fraud including the reporting of significant fraud risk-related information up and down the organisation.

Counter Fraud

3.22 Work has continued on implementing the Action Plan produced in response to the review of anti-fraud and corruption arrangements against the National Fraud Authority document 'Fighting Fraud Locally', the findings of which were reported to Committee in September 2012. Progress is monitored by the Fraud Member/Officer Group and a separate report detailing the progress made will be considered at this meeting.

3.23 The Member/Officer Fraud Sub Group continues to meet, to provide further detail to members on emerging fraud risks and anti fraud work carried out by Internal Audit.

3.24 Internal Audit has carried out a small number of investigations across the Council with appropriate action



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taken where necessary and also continued to provide advice and support to investigations where management had appointed an Investigating Officer.

- 3.25 Work continues on the National Fraud Initiative including the coordination and monitoring of matches by services and progressing control weaknesses identified by Payroll against Creditor matches that were investigated earlier in the year. Work has commenced in preparation for the upcoming match of Council Tax and Electoral Register data which will take place in February 2014 and aims to improve the identification of Single Person Discount fraud.

Technical Enabler Group (TEG)/Projects Work

- 3.26 The Council operates a Project Gateway model to provide a strong quality assurance model for major projects and programmes. A key aspect of this model is the formation of a Member led governance group called the Executive Monitoring Board (EMB). As part of its role EMB is responsible for undertaking high-level project monitoring which includes commissioning Health Checks on individual

projects. Responsibility has been assigned to Internal Audit for completing project Health Checks. During the period Internal Audit has worked with EMB to develop the Health Check process and commenced a pilot looking at whether the required elements to deliver projects successfully are in place and there is evidence that they are operating effectively.

- 3.27 The assessment will be reported to EMB and other stakeholders together with any recommendations which, if implemented, can help reduce project failure, promote successful conditions and increase the chance of delivering the required outcome. Internal Audit also sits on the Technical Enabler Group (TEG) which supports EMB and comprises senior officers representing key corporate enablers.

Consultancy and Advice

- 3.28 During the year to date, Internal Audit has provided advice to Management; such work was performed at the specific request of the organisation. The nature and scope of the



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engagements are generally aimed to improve governance, risk management and control and contribute to the overall opinion. e.g. Advice on new systems, application of Finance & Contract Procedure Rules etc.

Statutory Returns/Grant Claims

3.29 Internal Audit are sometimes required as stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body e.g. Growing Places Fund, Bus Services Operators Grant etc.

Follow Up Audit Work

3.30 During 2013/14, Internal Audit have performed various follow up exercises to ensure recommendations are being implemented. This is carried out in a number of different ways:

- Major pieces of audit work, such as the Annual Governance Statement have detailed action plans

which are monitored and reported separately to the Committee.

- Investigations – the form of follow up is dependent on the nature of the investigation and the resultant recommendations e.g. follow up audit carried out on request of management.
- Formal assurance audits (see below).

3.31 In May 2013, a new process to monitor outstanding actions for the Council, including recommendations from both Internal and External Audit was introduced. The Consolidated Action Plan (CAP) is monitored on a monthly basis by the Chief Operating Officer and Corporate Leadership Board, with managers providing progress reports on the implementation of actions assigned to them.

3.32 The following table shows the status of Internal Audit actions as at 30 September 2013. This shows a reduction in agreed actions, where the implementation dates have passed, from 73 (as at 1 May 2013, reported to Committee in June 2013) to 43.

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3.33 For those recommendations where the original implementation date has passed, feedback from managers is that generally progress has been made on implementing the recommendations but due to a variety of factors, they have not yet been fully implemented. Such factors include:

- Resource issues – lack of staff/‘day job’ has taken priority etc.
- Change in Manager/Service restructure since original audit
- Implementation of recommendations dependent on other factors outside Manager’s direct control e.g. Transition to strategic commissioning authority/introduction of new system etc.

3.34 High priority actions and progress on implementation is discussed with the Chief Operating Officer at regular meetings with Internal Audit.

Status of Internal Audit Agreed Actions (as at 30/9/13)

Agreed Actions	Total	High	Medium
Implementation date not yet due	27	7	20
Implementation date passed – action part implemented or not yet implemented in full	43	13	30
Total Agreed Actions	70	20	50

Additional Audit Work

3.35 Internal Audit assisted management in discharging their duties through the provision of support, advice and guidance in a number of areas throughout the first six months of 2013/14. Such work does not always result in a formal audit report, although it does contribute to the overall audit opinion at the end of the year. Examples of this include:



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- Technical Enabler Group (TEG) work
- Project Health Check development
- National Fraud Initiative (NFI) work
- Grant sign off work
- Lyme Green Freedom of Information (Fol) responses
- 'Think Twice' Monitoring

Key Areas and Emerging Work

3.36 Following the end of the first half of the year, the audit plan has been reviewed and areas to be audited in the second half of the year have been re-assessed and prioritised. Key audit areas for the remainder of the year are:

- Alternative Service Delivery Vehicles (ASDVs) – Compliance with ASDV Framework
- Programme and Project Management – Project Healthchecks

3.37 The following audits commenced in the first half of 2013/14 with work ongoing in the third quarter of 2013/14 and reports either issued or are due to be issued shortly:

- Project Health Check – Leisure Delivery Model
- Planning Data
- Debt Management
- General Ledger
- Housing Benefits
- External Inspections
- Highways Maintenance
- Schools – various

Assurance Framework

3.38 Work is well underway on developing an Assurance Framework for the Council using a recognised 'Three Lines of Defence' model. This approach assesses the various sources of assurance, both internal and external, allowing any duplication or gaps to be identified, and in the latter case, plugged. Internal Audit is committed to exploring collaborative opportunities within the Council and also outside, with External Audit and regional partners, to ensure the Assurance Framework is sufficiently robust and adds value.



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4 Annual Governance Statement (AGS) 2012/13 & 2013/14

- 4.1 In compiling the AGS, significant issues that are considered to fall short of the expected standards are commented on in the Statement. The AGS has an action plan to address these issues which includes actions already in place along with other planned actions. In a number of these areas, Internal Audit is already involved in ensuring that improvements are being implemented and time has been allocated in the 13/14 Audit Plan to review the other areas. Progress against the 12/13 AGS Action Plan is being monitored by Internal Audit and is reported back to the Committee at this meeting.
- 4.2 As with previous years, those audits given 'limited assurance' and 'no assurance' are considered as part of the AGS process.

5 Internal Audit Performance

- 5.1 A summary comparison of the 13/14 Audit Plan with Actuals is shown on page 2.

- 5.2 For the majority of 2013/14, Internal Audit has reported to the Head of Governance and Democratic Services with an indirect reporting line to the Chief Operating Officer (COO) as Section 151 Officer. This indirect reporting line will continue going forward and Internal Audit will report directly to the new Head of Resources and Stewardship post, which has recently been advertised.
- 5.3 Internal Audit was removed at a late stage from the recent Management Review, pending further discussion and review of Internal Audit resources in the light of the Council's transition to a strategic commissioning authority and the introduction of new delivery models.
- 5.4 Internal Audit has a number of Performance Indicators that are measured and reported on:

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Performance Indicator	2013/14 Actual	2013/14 Target	2012/13 Actual	Comments
Percentage of Audits completed to user's satisfaction	92%	90%	94%	Above target.
Percentage of significant recommendations agreed	95%	85%	93%	Above target.
Productive Time (of Chargeable Days)	83%	80%	84%	Above target.
Draft report produced promptly (per Client Satisfaction Form)	93%	90%	90%	Above target.

6 Compliance with the Public Sector Internal Audit Standards

6.1 Regulation 6 of the Accounts and Audit Regulations 2011 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings.

6.2 During 2012/13, in accordance with these Regulations, the performance of Internal Audit was measured using the checklist appended to the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

6.3 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and an update on the Standards and draft Audit Charter were brought to the Committee in September 2013 with a revised updated Charter brought to this Committee for approval.

6.4 The review in 2012/13 concluded that, although there are areas for improvement, the internal audit service is being delivered to the required standard. This review contributed to the assurances received for the 2012/13 AGS. An initial review against the PSIAS has been carried out and this will be updated and formalised in early 2014.

6.5 Grant Thornton's Review of the Council's Arrangements for Securing Financial Resilience for the year ended 31 March 2013, presented to the Committee in September 2013 reported that the Council's Internal Audit service was 'well



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respected within the Council', met the CIPFA Code of Practice requirements and 'continues to provide an independent and satisfactory service to the Council'.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Audit Managers
Title: Internal Audit Charter
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 This report proposes the adoption of an Internal Audit Charter in accordance with Public Sector Internal Audit Standards (PSIAS) and the relevant Local Government Application Note (LGAN).

2.0 Recommendation

- 2.1 That the Committee approves, with appropriate comment, the Internal Audit Charter (Appendix A).

3.0 Reasons for Recommendation

- 3.1 The new PSIAS came into effect from 1 April 2013. The Authority needs to comply with the Standards, and the LGAN, in order to satisfy proper internal audit practices.
- 3.2 The PSIAS require an Internal Audit Charter (similar to the previous Internal Audit Strategy and Terms of Reference) which must formally define the purpose, authority and responsibility of the internal audit activity.
- 3.3 A draft Internal Audit Charter, based on the Chartered Institute of Internal Auditors Model Internal Audit Activity Charter, was presented to this Committee in September 2013 for comment. The draft Internal Audit Charter has subsequently been finalised (Appendix A) and is presented to the Audit and Governance Committee for approval.

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 There are no direct financial implications arising from this report.

8.0 Legal Implications

8.1 The Accounts and Audit Regulations 2011 require the Council to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control'. The PSIAS and the LGAN constitute proper practices as set out in the Regulations.

9.0 Risk Management

9.1 The Audit and Governance Committee is responsible for overseeing the Council's role and responsibilities in respect of Corporate Governance and Audit. The Internal Audit Charter provides evidence of governance arrangements in respect of the provision of the internal audit activity and contributes significantly to effectively managing the risk of non-compliance with the Accounts and Audit Regulations 2011.

10.0 Background and Options

10.1 The Public Sector Internal Audit Standards state that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter. These issues have previously been dealt with through the Internal Audit Strategy and Terms of Reference which set out the type of content required by the PSIAS, with financial regulations covering some other high-level aspects of the required content. The adoption of the PSIAS will result in the Charter replacing the Strategy and Terms of Reference and is likely to require amendments to the Council's Constitution.

10.2 The Charter establishes Internal Audit's position within the organisation, including the nature of functional and administrative reporting, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities. Final approval of the Internal Audit Charter resides with the Audit and Governance Committee.

10.3 A draft Internal Audit Charter was presented to senior management and Members of this Committee in September 2013 in order to reach agreement with regard to the significant aspects of the PSIAS that affect the Audit Charter. The draft Internal Audit Charter has subsequently been amended to reflect relevant discussions (Appendix A) and is presented to the Audit and Governance Committee for approval.

Relevant Issues

- 10.4 Within the PSIAS, the terms 'Board', 'Senior Management' and 'Chief Audit Executive' must be interpreted in the context of governance arrangements within Cheshire East Council. Therefore, for the purposes of the Internal Audit Charter the term:
- 'board' is defined as the Audit and Governance Committee,
 - 'senior management' is defined as the Corporate Leadership Board and
 - 'Chief Audit Executive' is defined as the Internal Audit Manager (as represented currently by the two Audit Managers).
- 10.5 In accordance with current arrangements the Internal Audit Manager will report directly, for administrative purposes, to the Head of Corporate Resources and Stewardship with reporting lines to the Chief Operating Officer (who assumes the role and responsibilities of the Chief Financial Officer, a specific job title more traditionally associated with the public sector). The *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* states that the Chief Financial Officer (CFO) must:
- ensure an effective audit function is resourced and maintained,
 - that the authority has put in place effective arrangements for internal audit of the control environment,
 - support the authority's internal audit arrangement and
 - ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.
- 10.6 In accordance with the PSIAS, organisational independence will effectively be achieved by the Internal Audit Manager reporting functionally to the Audit and Governance Committee. The Charter includes examples of functional reporting included in the PSIAS whilst reflecting, as necessary, Cheshire East Council arrangements as suggested by the LGAN. As part of these arrangements, the Internal Audit Manager will confirm to the Audit and Governance Committee:
- the organisational independence of the internal audit activity (at least annually)
 - the consequences if the level of agreed resources impact adversely on the provision of the annual internal audit opinion
 - the results of the quality and assurance programme and progress against any improvement plans (in the annual report)
- 10.7 The Internal Audit Charter will be reviewed periodically (as a minimum annually) by the Internal Audit Manager and presented to the Corporate Leadership Board and the Audit and Governance Committee for approval.

11.0 Access to information

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

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Designation: Audit Manager

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Internal Audit Charter

1 Introduction

- 1.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Cheshire East Council. It assists the Council in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

2 Role

- 2.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

- 2.2 The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [‘the Standards’].

3 Professionalism

- 3.1 Internal Audit will govern itself by adherence to the Public Sector Internal Audit Standards 2013 [‘the Standards’]. The mandatory Standards constitute the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of Internal Audit's performance.
- 3.2 The Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN) will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to Cheshire East Council's relevant policies and procedures and the Internal Audit Manual.

4 Authority

- 4.1 Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Cheshire East Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to the Audit and Governance Committee.

Internal Audit Charter

5 Organisation

- 5.1 The Internal Audit Manager will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Head of Corporate Resources and Stewardship.

The Audit and Governance Committee will:

- Approve the Internal Audit Charter.
- Approve the risk based internal audit plan.
- Receive communications from the Internal Audit Manager on Internal Audit's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.
- Receive the annual report, which includes:
 - the annual opinion,
 - a summary of the work on which internal audit has based the opinion,
 - a statement on conformance with PSIAS and the LGAN and
 - the results of the quality assurance and improvement programme.

- 5.2 The Internal Audit Manager will communicate and interact directly with the Audit and Governance Committee as appropriate.

6 Independence and Objectivity

- 6.1 Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 6.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.
- 6.3 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 6.4 The Internal Audit Manager will confirm to the Audit and Governance Committee, at least annually, the organisational independence of Internal Audit.

Internal Audit Charter

7 Responsibility

- 7.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:
- Evaluating risk exposure relating to achievement of the Council's strategic objectives.
 - Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
 - Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Council.
 - Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
 - Evaluating the effectiveness and efficiency with which resources are employed.
 - Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
 - Monitoring and evaluating governance processes.
 - Monitoring and evaluating the effectiveness of the Council's risk management processes.
 - Evaluating the degree of coordination between internal and external providers of assurance – sharing information and coordinating activities to ensure proper coverage and minimise duplication of effort.
 - Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
 - Reporting periodically on Internal Audit's purpose, authority, responsibility, and performance relative to its plan.
 - Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit and Governance Committee.
 - Evaluating specific operations at the request of the Audit and Governance Committee or management, as appropriate.
- 7.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly.

Internal Audit Charter

- 7.3 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Internal Audit Manager to provide an annual internal audit opinion and report which is timed to inform the Annual Governance Statement and is based on an objective assessment of the framework of governance, risk management and control.
- 7.4 Internal Audit may also undertake non-assurance work including fraud related and consultancy work, at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 7.5 The Internal Audit Manager will be made aware of major new systems and proposed initiatives. The Internal Audit Manager will consider what if any audit work needs to be done to help ensure risks are properly identified and evaluated and appropriate controls built in.

8 Role of Internal Audit in Fraud Related Work

- 8.1 Managing the risk of fraud and corruption is the responsibility of management. The Internal Audit Manager will be informed of all suspected or detected fraud, corruption or impropriety to inform their opinion on the internal control environment and Internal Audit's work programme.
- 8.2 At the request of management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud and corruption.

9 Internal Audit Plan

- 9.1 At least annually, the Internal Audit Manager will submit to the Corporate Leadership Board and the Audit and Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Internal Audit Manager will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Board and the Audit and Governance Committee.
- 9.2 The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Corporate Leadership Board and the Audit and Governance Committee. The Internal Audit Manager will review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Corporate Leadership Board and the Audit and Governance Committee through periodic activity reports.

Internal Audit Charter

10 Reporting and Monitoring

- 10.1 A written report will be prepared and issued by the Internal Audit Manager or designee following the conclusion of most internal audit assignments and will be distributed as appropriate. Internal audit results will also be communicated to the Audit and Governance Committee.
- 10.2 The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- 10.3 Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations.
- 10.4 The Internal Audit Manager will periodically report to the Corporate Leadership Board and the Audit and Governance Committee on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by The Corporate Leadership Board and the Audit and Governance Committee.
- 10.5 The Internal Audit Manager is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

11 Quality Assurance and Improvement Programme

- 11.1 Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of Internal Audit's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 11.2 The Internal Audit Manager will communicate to the Corporate Leadership Board and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Head of Internal Audit
Title: Anti-Fraud and Corruption Arrangements
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 As part of the ongoing efforts to ensure that the systems and procedures in place within the Council remain relevant and meet best practice it is important that the anti fraud and corruption arrangements are subject to regular review.
- 1.2 The Council's arrangements were reviewed against 'Fighting Fraud Locally: The Local Government Fraud Strategy' and the findings were reported to this Committee in September 2012. In order to progress the findings an Action Plan was produced by the Principal Auditor (Fraud) with progress discussed at the Member/Officer Group.
- 1.3 This report will provide Members with an update on progress made in implementing key actions and provide assurance that appropriate arrangements are in place to protect the Council against the threat of fraud.

2.0 Recommendation

- 2.1 The Audit and Governance Committee is asked to note this report.

3.0 Reasons for Recommendation

- 3.1 In order to ensure that the Council has robust arrangements to counter the threat of loss through fraud and corruption it is essential that the relevant systems and procedures are subject to regular review against best practice and that identified weaknesses are managed.
- 3.2 The Audit and Governance Committee's role in overseeing the Council's counter fraud arrangements is crucial for the Council to achieve its anti fraud and corruption objectives.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 The existence of anti-fraud arrangements, in line with the Fighting Fraud Locally Strategy will contribute towards good governance.

7.0 Financial Implications

7.1 An overriding responsibility of the Council is the provision of effective and efficient services in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements. Hence the Council must have appropriate policies and mechanisms to safeguard the Council's resources and reduce losses to fraud and corruption in all areas to an absolute minimum.

8.0 Legal Implications

8.1 The responsibilities of public sector entities in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance. Local Government entities have a statutory duty to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for the administration of these arrangements.

9.0 Risk Assessment

9.1 The Council as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it. The impact of fraud on the Council can have consequences that are serious and often far reaching. Financial loss is the obvious key risk but the undermining of public confidence that can result from the discovery of a fraudulent or corrupt act can inflict a much greater damage than the act itself. In order to mitigate this risk the Council needs to be explicit about the way fraud will be regarded and dealt with.

10.0 Background and Options

10.1 Fraud is a major issue facing the United Kingdom and Local Government is not exempt from this. The Annual Fraud Indicator 2013,

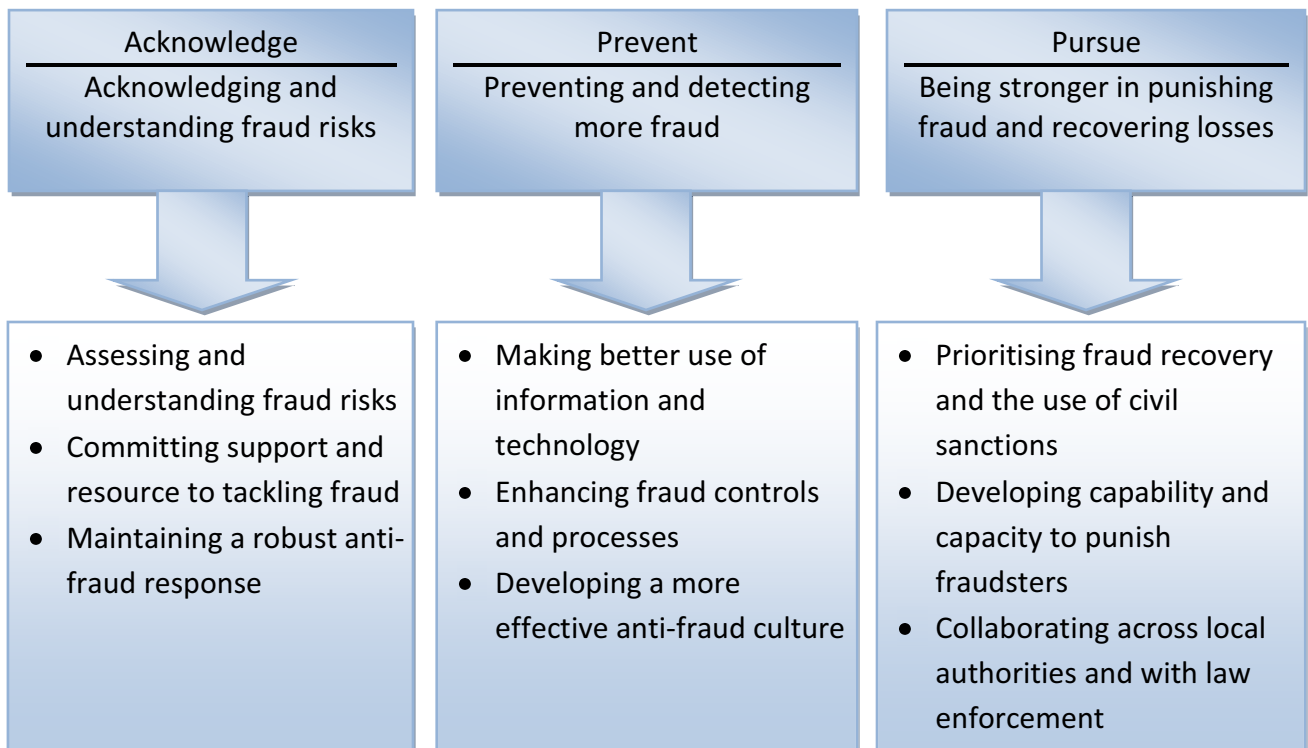
which is prepared by the National Fraud Authority, estimates total fraud loss against public bodies as £20.6bn.

This can be broken down as follows:

- Tax System - £14 billion
- Central Government - £2.6 billion
- Local Government - £2.1 billion
- Benefits/Tax Credits - £1.9 billion

10.2 In order to counter this threat, the government launched 'Fighting Fraud Locally: The Local Government Fraud Strategy' with the intention that, by 2015, local government will be better able to protect itself from fraud and have in place more effective mechanisms to respond to fraud when it occurs.

10.3 The Fighting Fraud Locally Local Government Fraud Strategy sets out the following three stage strategy for tackling fraud:



10.4 The Council's arrangements were reviewed against 'Fighting Fraud Locally: The Local Government Fraud Strategy' and the findings were reported to this Committee in September 2012. The review identified areas in which improvements could be made and these were recorded

in an Action Plan which has been discussed in detail at Member/Officer Group. The following provides Members with an update on progress made in implementing the key actions.

Action: Facilitate the production of a detailed Fraud Risk Assessment in conjunction with the Performance and Risk Manager and ensure that appropriate service managers engage in and contribute to the process.

10.5 An effective counter fraud strategy needs to be informed by a good understanding of the fraud threat, emerging risks and the savings that can be made from investing in countering fraud. The best local authorities know how fraud affects them and what they can do about it.

10.6 Although the risk of fraud has always been recognised in the Strategic Risk Register as part of the Financial Control risk this had not extended to the inclusion of a specific risk. Fraud was acknowledged as one of the causes of ineffectual financial control and the existence of robust anti-fraud and corruption arrangements as a mitigating control.

10.7 Given the increased profile and awareness of the threat of fraud to local authorities, Corporate Risk Management Group has agreed that the Strategic Risk Register should include the following fraud risk which was shared with Members at the 27 September 2013 committee:

Risk that the Council fails to have proper, adequate, effective and efficient management arrangements, policies and procedures in place to mitigate the risk of fraud, particularly at a time of financial hardship, such that public money is misappropriated. This would result in a loss of funds to the Council, have a detrimental effect on services users, a negative impact on the Council's ability to achieve all of its priorities, value for money, and may have a negative impact on the Council's reputation.

10.8 The management of this risk is supported by a draft Fraud Risk Assessment that was presented to and endorsed by Corporate Risk Management Group. The assessment was then shared with service managers to identify existing controls and enable the scoring of the risks in line with the corporate methodology. This is now being taken forward by the Performance & Risk Manager and will be revisited and reviewed by Internal Audit on a periodic basis to ensure that it is robust and current and also to inform Internal Audit work in this area.

10.9 Ownership of the fraud risk (CR19) has been assigned to the Chief Operating Officer (COO) and a meeting has been arranged with the Performance and Risk Manager and Internal Audit to discuss the further

work required on documenting actions taken and planned to mitigate the threat before scoring.

- 10.10 The inclusion of a specific fraud risk in the strategic risk register, and the development of a detailed risk assessment, is a positive move and demonstrates that Cheshire East 'acknowledges' fraud as a threat that must be countered, raises awareness at a senior level of the Council's potential level of exposure to fraud and provides a basis upon which the control framework can be further developed to provide assurance that these risks are mitigated.

Action: Identify the resource available across the whole authority for the investigation and prosecution of fraud and recovery of losses.

- 10.11 The Council does use professionally trained staff with appropriate and relevant powers and specialist resources to investigate fraud and trace assets including internal auditors, housing benefit investigators and a financial investigator.
- 10.12 As part of the ongoing management review the investigation teams from Trading Standards and Housing Benefits have recently been brought together into a Community Safety & Investigations Team under the Head of Public Protection and Enforcement. This will allow in-house capability for investigating and prosecuting fraud to be developed whilst maximising recovery through the Proceeds of Crime Act.
- 10.13 An initial discussion has been held with the Head of Public Protection and Enforcement to formalise the arrangements for investigating the full breadth of fraud threats against the authority, sharing of specialist resources, identifying lessons learned and placing less reliance on the Police.
- 10.14 Once agreement has been reached the Council's Anti Fraud and Corruption Strategy and accompanying guidance will need to be aligned with approved arrangements including those articulated in the Strategic Fraud Risk.

Action: Ensure audit coverage of systems deemed to at high risk of fraud by feeding findings from Fraud Risk Assessment into the Annual Audit Planning process.

- 10.15 The first line of defence in preventing fraud is the consistent application of internal controls. There are a range of controls that can be put in place to mitigate the risk of fraud and the Council is best placed to consider which controls are most appropriate. This work is supported by

internal audit who provide assurance on the operation of those controls and their effectiveness in preventing fraud

10.16 The Annual Audit Plan takes into account areas deemed to be at high risk of fraud and consideration was given to the areas highlighted in the draft risk assessment when the plan was produced. As such it includes time for both proactive anti fraud work and reactive investigations and includes a contingency allocation which ensures that Internal Audit can react appropriately to any new or emerging risks that come to light during the year.

10.17 It is widely acknowledged that Council Tax, Payroll and Procurement are amongst the key fraud risks to which Councils are exposed. The operation of the controls in place in these areas, including those designed to prevent and detect fraud, are subject to review by Internal Audit on an annual basis as part of the key systems assurance work.

10.18 In addition to this regular work the following areas have time allocated in the Audit plan:

- Purchase Cards
- Expense Claims
- Direct Payments
- Client Finances
- Planning
- National Fraud Initiative

Findings and recommended actions for improvements identified as part of this work will be reported in the normal manner and any suspected incidences of fraudulent activity will be considered for further investigation in line with the appropriate procedures

Action: Review the available E-learning Modules to determine which is most appropriate.

10.19 E-learning is an effective and efficient means of raising awareness of fraud across all staff and Members which is vital in creating a strong anti fraud culture. It also provides an effective control measure in mitigating the risk of fraud as awareness is key in spotting attempted fraud and identifying losses.

10.20 The National Fraud Authority has produced an e-learning module designed to raise awareness of fraud amongst local authority staff and following a demonstration of the module at a meeting of the Member/Officer Group it was agreed that it would be beneficial to roll this out across the Council.

- 10.21 The module was withdrawn pending an upgrade and the updated version of the e-learning has now been received and roll out will be discussed and agreed with the COO in his capacity as owner of the strategic fraud risk.
- 10.22 In addition to the Fraud Awareness module, the NFA are currently developing additional e-learning products covering procurement fraud and fraud against schools. Roll out of these modules will be considered once they have been released with the aim of ensuring that staff are aware of current fraud risks and understand their responsibilities in preventing, detecting and reporting suspicions and instances of fraud.

Action: Discuss and agree with Member/Officer Fraud Sub Group an appropriate format for an annual fraud report to Audit and Governance Committee.

- 10.23 The arrangements for reporting fraud related matters to Members are well established with the following reports having recently been received:
- June 2013 - the Chair's response to the Audit Commission request for information includes detailed information regarding the anti fraud and corruption arrangements and how the council identifies and responds to the risk of fraud. This includes details of the number of prosecutions taken by the Housing Benefit Fraud Team.
 - March 2013 - annual update on the effectiveness of the Whistleblowing Policy is provided, including statistics reflecting the number of concerns raised during the year.
 - Periodically - the regular update reports received throughout the year include a section on Counter Fraud.
- 10.24 In addition to the formal reports to Committee, the Member/Officer Group was established to provide Members with increased engagement and access to information relating to fraud. This allows Members to increase their knowledge of fraud issues and developments and provides a platform for more in depth discussions than the formal committee setting allows.
- 10.25 Having taken into account the existing arrangements it was agreed at the Member/Officer Group that the current reporting arrangements would not be changed at this time.
- 10.26 However, this will be subject to further consideration, with a view to the production of a consolidated report on fraud, once the management review and service restructures are completed, the Consumer Safety &

Investigations Team is fully established and the overall corporate response to fraud has been determined.

- 10.27 In conclusion, it is clear that appropriate arrangements are in place to acknowledge, prevent and pursue this threat to the authority and that the ongoing developments will ensure that a robust anti-fraud culture is further embedded within Cheshire East Council.

11.0 Access to information

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

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Designation: Audit Manager

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CHESHIRE EAST COUNCIL

Report to Audit & Governance Committee

Date of Meeting: 28 November 2013
Report of: Senior Compliance & Customer Relations Officer
Title: Summary of Corporate customer feedback, received via the Complaints, Compliments and Suggestions process, and Complaints Received from the Local Government Ombudsman 2012 – 2013.
Portfolio Holder: Peter Raynes

1.0 Report Summary

- 1.1 This report provides a summary of the formal feedback received from customers between April and September this year, compared with the feedback received during 2012/2013 and 2011/2012.
- 1.2 Also attached is a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for the same periods.

2.0 Recommendation

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 Wards Affected All.

4.0 Local Ward Members All.

5.0 Policy Implications including

Adherence to the Corporate Compliments, Suggestions and Complaints Policy.

6.0 Financial Implications

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.

7.0 Legal Implications (Authorised by the Borough Solicitor)

The Committee's responsibilities as set out in the Constitution include the following:

- Ensuring that the Council maintains appropriate links with the Commission for Local Administration in England (Ombudsman)
- Referring issues, which impinge on staff conduct, performance, terms of employment, training and development to the appropriate and responsible Executive Member and/or Manager
- Promoting high standards of responsiveness by the Council to its clients and contacts

8.0 Risk Management

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.

9.0 Feedback received

9.1 Feedback from customers about Adults and Children's Social Care is currently handled separately from other feedback (which is termed 'Corporate Feedback') as this is handled under the statutory process rather than the Corporate Complaints policy. However, the total complaints, compliments and suggestions received and recorded for all services are included on the attached spreadsheets to provide the complete picture.

9.2 **Appendix 1** provides a summary of all compliments, complaints and suggestions received by the Council since April 2011. Between April and September 2013, the Council recorded 1,406 instances of customer feedback, of which just over half (56%) were complaints. There were 588 compliments (including 361 for Adult Services (primarily for Care4CE)) and 35 suggestions.

Complaints to Highways have been increasing, whilst complaints to Waste and Recycling reduced. Complaints to Council Tax and Business Rates reduced in 2012/2013 but have been increasing again in 2013/2014.

The most frequent complaints into the Council are as follows:

Highways	Potholes Lack of contact/action following a report Lack of signage following a diversion
Waste	Inconsistent collections Attitude of waste operatives Compliance with 5 working day re-collection SLE
Council Tax	Phone line opening hours Summons/reminder received Delays in responding to correspondence
Adults	Care planning Care practice (external and Care4ce) Charging

Development Management Lack of contact by Case Officer
 Delays in processing applications
 Disagreement with decision

Childrens Care planning
 Care practice
 Communication

10.0 Local Government Ombudsman Referrals

10.1 Customers are offered the opportunity to appeal to the Local Government Ombudsman (LGO) if they are unhappy with the way in which the Council has handled their complaint.

10.2 The table below outlines the number of referrals received this year to date from the LGO, along with the current decision status:

Service	Number of Referrals April – September 2013	Decision
Planning	11	6 Not Investigated 1 Local Settlement 1 Discontinued 1 Premature Complaint 2 Ongoing
School Transport	1	Not investigated
Adult Social Care	6	3 Not Investigated 1 Public Report 1 Discontinued 1 No Fault Found
Highways	3	3 Not investigated
Children's Social Care	5	1 Discontinued 1 Formally Investigating 1 Not Investigated 2 No Fault Found
Council Tax	2	1 Not Investigated 1 No Fault Found
School Admissions	4	2 Not Investigated 2 No Fault Found
Trading Standards	1	Not Investigated
Parking Enforcement	1	Ongoing
Housing Benefits	1	Not Investigated
Assets	1	Not Investigated
TOTAL	36	20 Not Investigated 1 Local Settlement 3 Discontinued 1 Premature Complaint 3 Ongoing 1 Public Report 6 No Fault Found 1 Formally Investigating

10.3 LGO Referrals – 2012/2013

The Ombudsman produces an annual report in July each year.

The table below details the complaints to the LGO for 2012/13, compared with those referred in 2011/12, per service area. A total of 68 complaints were considered by the LGO, which compares favourably with 116 in the previous year.

(Note: There is a slight discrepancy between the figures quoted in their 2012-2013 report (they state 57 complaints received) and the Council's (68), which is currently being investigated. However, it is likely to be a timing difference (i.e. relating to the decisions made within the year on the complaints received). They now triage complaints before making enquiries with the relevant authority. This was not done in previous years, which may account for some of the reduction in 12/13.)

The LGO found that, in 87% of the complaints or enquiries submitted there was no evidence of maladministration or injustice to the complainant. In 9 cases (13%), Local Settlements¹ were reached. Two of the Local Settlements related to the same planning issue; they were highlighted as a cause for concern and were the subject of a Public Report. A review of this is still ongoing within the Planning Service.

Total LGO Complaints by Service	Not Investigated 12/13	Investigated 12/13	Total Enquiries 11/12	Investigated 11/12
Adult Services	4	13 4 Local Settlements	19	14
Housing Benefits & Council Tax	5	2 2 Local Settlements	12	6
Corporate & Other Services	2	0	4	3
Education & Children's Services	5	8 1 Local Settlement	21	13
Environmental Services/ Public Protection & Regulation	1	0	9	4
Highways & Transport	5	3	7	3
Markets	1	0	0	0
Parking Enforcement	1	0	0	0
Planning	5	13 2 Local Settlements	41	18
Housing	0	0	3	2
Total	29	39	116	63

(A Local Settlement is when an authority takes or agrees to take action that the Local Government Ombudsman considers to be a satisfactory response. This can be a change in procedures, reconsideration of the original decision, an apology and/or compensation payment).

11.0 Comparison with other Unitary Authorities

Appendix 2 details all complaints against Unitary Authorities investigated by the LGO in 2011/12 (the most recent figures). The highest figure is 130, for Cornwall CC, the lowest is 3 for Rutland, and the average is 39 complaints per authority. In the same period, the LGO investigated 63 complaints against Cheshire East Council.

12.0 Access to Information

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

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Appendix 1

Complaints, compliments and suggestions received by Cheshire East Council – April –September 2013, 2012/2013 and 2011/2012

1. Complaints

Service Area	Complaints Received April-Sept 2013 <i>Half Year</i>	Complaints Received 12/13	Complaints Received 11/12
Waste & Recycling	141	339	588
Highways & Transportation	154	254	67
Council Tax & Business Rates	101	160	185
Development Management	58	109	119
Leisure Facilities (inc Development)	35	70	59
Customer Services (inc Web Site)	38	51	128
Housing Benefit Service	26	35	53
Other	12	29	22
Streetscape & Bereavement	29	28	17
Parking Enforcement	30	26	30
Children's (non-statutory complaints)	11	24	12
Library Services	7	24	11
Environmental Protection/Licensing/T. Standards	21	13	10
Housing Strategy	4	10	7
Legal & Democratic Services	4	8	8
Regeneration	0	7	6
Spatial Planning, Building Control & Land Charges	3	3	17
Green Spaces	1	3	8
Assets	4	3	5
Cultural Facilities & Events, Arts Heritage	1	0	5
Adults (non-statutory complaints)	1	0	0
Total Corporate Complaints	681	1196	1369
Complaints to Adults Services	59	136	147
Complaints to Children's Services	43	79	92
TOTAL COMPLAINTS	783	1411	1608

Appendix 1

Complaints, compliments and suggestions received by Cheshire East Council – April –September 2013, 2012/2013 and 2011/2012

2. Compliments

Service Area	Compliments Received April-Sept 2013 <i>Half Year</i>	Compliments Received 12/13	Compliments Received 11/12
Highways & Transportation	27	27	2
Waste & Recycling	34	54	59
Council Tax & Business Rates	33	39	36
Leisure Facilities (inc Development)	2	4	4
Development Management	1	10	6
Customer Services (inc Web Site)	59	82	64
Housing Benefit Service	21	65	73
Other	0	2	1
Streetscape & Bereavement	33	101	7
Parking Enforcement	0	0	0
Children's	5	25	22
Library Services	6	16	12
Environmental Protection/Licensing/T. Standards	5	0	0
Housing Strategy	0	0	2
Legal & Democratic Services	0	0	1
Regeneration	0	1	0
Spatial Planning, Building Control & Land Charges	1	2	4
Green Spaces	0	1	0
Assets	0	0	0
Cultural Facilities & Events, Arts Heritage	0	0	1
Adults	361	792	351
TOTAL COMPLIMENTS	588	1221	645

Appendix 1

Complaints, compliments and suggestions received by Cheshire East Council – April –September 2013, 2012/2013 and 2011/2012

3. Suggestions

Service Area	Suggestions Received April-Sept 2013 <i>Half Year</i>	Suggestions Received 12/13	Suggestions Received 11/12
Highways & Transportation	3	9	5
Waste & Recycling	3	10	57
Council Tax & Business Rates	0	1	5
Leisure Facilities (inc Development)	2	6	4
Development Management	0	1	3
Customer Services (inc Web Site)	1	3	8
Housing Benefit Service	0	0	1
Other	0	1	1
Streetscape & Bereavement	0	2	2
Parking Enforcement	0	3	0
Children's	16	1	0
Library Services	0	1	1
Environmental Protection/Licensing/T. Standards	1	0	2
Housing Strategy	0	0	0
Legal & Democratic Services	0	2	0
Regeneration	0	2	3
Spatial Planning, Building Control & Land Charges	0	0	0
Green Spaces	0	1	1
Assets	0	0	2
Cultural Facilities & Events, Arts Heritage	0	1	0
Adults	9	0	0
TOTAL SUGGESTIONS	35	44	95

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Appendix 2

Unitary Authorities investigated by the LGO in 2011 – 2012 (the most recent figures)

Unitary Authority	Total decisions 2011 - 2012	Not investigated 2011- 2012		Investigated 2011-2012				Report	Total decisions 2010 - 2011	Total decisions 2009 - 2010	3 Year Unitary Council Average
		No power to investigate	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries				
<i>English Unitary Average</i>	40	2	3	7	14	6	7	0	36	31	35
Cornwall	130	5	12	11	49	24	29	0	113	50	98
Brighton & Hove	100	0	8	29	19	16	27	1	61	67	76
Bristol	99	4	13	14	41	9	17	1	106	96	100
County Durham	89	1	3	21	30	11	17	6	69	36	65
Leicester	82	7	2	5	45	10	13	0	84	73	80
Kingston upon Hull	72	3	9	20	17	9	12	2	66	72	70
Nottingham	69	3	4	21	20	11	10	0	62	52	61
Cheshire West & Chester	68	5	5	22	20	7	9	0	34	19	40
Shropshire	65	1	1	13	19	14	17	0	44	18	42
Cheshire East	63	2	5	18	17	11	10	0	50	41	51
Stoke-on-Trent	61	1	1	9	32	11	7	0	44	35	47
Medway	59	3	5	8	17	5	21	0	66	60	62
Wiltshire	58	2	7	5	28	9	7	0	37	21	39
East Riding of Yorkshire	55	4	4	10	16	11	10	0	50	62	56
Thurrock	55	2	2	14	12	7	18	0	40	46	47
Northumberland	54	1	4	11	24	9	5	0	43	12	36
Milton Keynes	44	5	4	4	18	4	9	0	30	24	33
Derby	42	3	1	15	10	5	8	0	34	50	42
Herefordshire	39	1	3	2	23	5	5	0	41	25	35
Plymouth	37	3	3	6	14	5	6	0	52	48	46
Torbay	37	5	0	4	17	7	3	1	20	26	28
Southampton	36	4	3	4	12	5	8	0	30	28	31
North Somerset	34	1	4	6	11	2	10	0	35	51	40
York	34	4	3	0	13	4	10	0	26	25	28
Isle of Wight	32	1	2	1	14	5	9	0	34	39	35
South Gloucestershire	31	0	4	4	9	4	10	0	22	33	29
Luton	30	2	2	2	10	3	11	0	48	33	37

Appendix 2

Unitary Authorities investigated by the LGO in 2011 – 2012 (the most recent figures)

Unitary Authority	Total decisions 2011 - 2012	Not investigated 2011- 2012		Investigated 2011-2012				Report	Total decisions 2010 - 2011	Total decisions 2009 - 2010	3 Year Unitary Council Average
		No power to investigate	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries				
Swindon	29	1	3	3	13	5	4	0	32	38	33
Southend-on-Sea	28	1	0	11	6	5	5	0	24	19	24
Blackpool	27	3	2	7	8	5	2	0	23	20	23
North Lincolnshire	27	4	4	5	7	4	3	0	9	19	18
Portsmouth	27	3	0	3	13	4	4	0	32	28	29
Central Bedfordshire	25	4	0	3	9	3	6	0	43	7	25
Telford & Wrekin	25	2	4	1	11	6	1	0	26	17	23
Bournemouth	24	3	2	6	10	1	2	0	26	28	26
Warrington	24	1	2	9	4	3	3	2	26	21	24
Darlington	23	3	3	5	5	5	2	0	28	21	24
Peterborough	23	1	1	2	9	4	4	2	25	24	24
Poole	23	3	3	3	4	5	5	0	30	23	25
Reading	23	0	6	5	4	0	8	0	31	27	27
Wokingham	23	0	1	4	8	3	7	0	22	35	27
Blackburn with Darwen	22	2	0	5	9	4	2	0	15	18	18
West Berkshire	20	2	2	9	6	1	0	0	27	13	20
Redcar & Cleveland	19	1	0	6	4	6	2	0	25	22	22
Bracknell Forest	18	1	2	5	6	2	2	0	8	6	11
Halton	18	0	3	4	9	1	1	0	15	16	16
Windsor & Maidenhead	17	1	2	4	3	4	3	0	25	18	20
Bedford	16	3	0	2	6	2	3	0	20	5	14
Hartlepool	16	1	1	1	10	2	1	0	12	10	13
North East Lincolnshire	16	1	2	6	2	2	3	0	20	16	17
Slough	15	2	1	3	2	3	3	1	21	22	19
Stockton-on-Tees	15	1	2	5	5	2	0	0	15	18	16
Middlesbrough	13	2	4	4	2	0	1	0	15	14	14
Rutland	3	0	0	0	1	1	1	0	6	4	4

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 November 2013
Report of: Audit Manager
Title: Work Plan 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.0 To present an updated Work Plan for 2013/14 to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:

- consider the Work Plan for 2013/14 and determine any required amendments,
- note the changes to the plan since it was last discussed in September 2013 and
- note that the plan will be periodically brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee has a key role in overseeing and assessing the risk management, control and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to ensure that the Committee fulfils its responsibilities.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 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 The Work Plan must take account of the requirements of the Accounts and Audit Regulations 2011.

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

- 9.2 A comprehensive Work Plan is necessary to ensure that the Committee fulfils its responsibilities.

10.0 Background and Options

- 10.1 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 changes 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 2013:

- A report setting out the management response to the 2012/13 Audit Findings Report presented by Grant Thornton on 28th September 2014 has been added to this agenda.

- An update report from Grant Thornton has been added to the January 2014 agenda.
- The external audit report on the certification of claims and returns has been moved from the March 2014 agenda to the January 2014 agenda.
- A report on the review of Members Standards/Procedures has been added to the January 2014 Agenda.

10.2 During September CIPFA announced that it had decided to update its original 2005 guidance on audit committees in local government. Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) updates the core functions of the audit committee in relation to governance, risk management, internal control and audit to reflect the changes since 2005. These include the introduction of the Public Sector Internal Audit Standards and the Annual Governance Statements. Audit committee roles in relation to value for money, counter-fraud, and partnerships, amongst others, have also been added for the first time in detail.

10.3 The guidance also has a greater focus on the factors that support improvement. These include the knowledge and skills that audit committee members require and a focus on where the audit committee adds value.

10.4 As part of the Committee's ongoing efforts to ensure that it operates effectively and fulfils its purpose a report setting out CIPFA's view on the role and functions of an audit committee and how this may impact on Cheshire East arrangements will be presented to Members. The publication date for the guidance is December 2013 and it is, therefore, anticipated that the report will be included on the January 2014 agenda.

10.5 Whilst referring to the draft version of the guidance noted in 10.2 above, and in order to help with their deliberations regarding the Work Plan, Members are asked to consider whether:

- the inclusion of each item on its agenda results in added value
 - the assurance process has a cost to the organisation and it should therefore be proportional to the risk
 - care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions
- there are any time consuming aspects of Committee business that could be more effectively addressed elsewhere

- an audit committee should operate at a resolutely strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers
- the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings

10.6 It should be noted that the Work Plan will be re-submitted to the Committee periodically for further development and approval.

11.0 Access to Information

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

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Designation: Audit Manager
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Email: jon.robinson@cheshireeast.gov.uk

Audit & Governance Committee Work Plan

Committee Date/Agenda Item	Description
28 Nov 2013	
Annual Report 12/13	Annual Report of the Chair of the Audit & Governance Committee to Council.
External Audit – Annual Audit Letter 12/13	Summary of the External Audit findings from 12/13 audit. The letter will also confirm the level of audit fees.
2012/13 Audit Findings and Action Plan	This report sets out the management response to the 2012/13 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee on 28 th September.
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.
Update on Governance Framework and Code of Corporate Governance, 12/13 Action Plan & 13/14 Process	Council's Governance Framework for discussion/agreement and approval of updates to Code of Corporate Governance. Progress to date on the 12/13 AGS Action Plan and suggested approach for the 13/14 AGS for approval.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 13/14.
Internal Audit Charter	The Internal Audit Charter defines the internal audit activity's purpose, authority and responsibility.
Anti Fraud and Corruption Update	Periodic review of Anti Fraud and Corruption Policy and arrangements against best practice.
Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 12/13	Summary of the complaints received by the Council and also those dealt with by the Local Government Ombudsman about the Council for 12/13.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
30 Jan 2014	
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.
External Audit – Certification of Claims &	Annual report on the issues, amendments and qualifications arising from

Audit & Governance Committee Work Plan

Committee Date/Agenda Item	Description
Returns	certification work of grant claims and returns.
Internal Audit Interim Report	Progress against the Internal Audit Plan 13/14.
Treasury Management Strategy and MRP Statement 2014/15	The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years. The Treasury Management Strategy is also reported to Cabinet before being presented to Full Council for approval.
Data Protection and Freedom of Information Update	Update on Data Protection and Freedom of Information issues including volumes of requests and trends.
Compliance with International Auditing Standards 2013/14	To comply with International Auditing Standards, each year the Council's External Auditors are required to refresh their understanding of how the Audit and Governance Committee gain assurance over management processes and arrangements.
Review of the CIPFA publication Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)	A report setting out CIPFA's view on the role and functions of an audit committee and how this may impact on Cheshire East arrangements.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation.
Standards Review	Review of Members Standards/Procedures.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
27 March 2014	
Compliance with Contract Procedure Rules	A report setting out the number of non-compliance instances in the previous period, broken down by Service, and a description of exceptional instances.
External Audit – Audit Plan 13/14	External Audit's planned work for the audit of financial statements and the value

Audit & Governance Committee Work Plan

Committee Date/Agenda Item	Description
	for money conclusion 13/14
Internal Audit Plan 13/14	Approval of risk based Internal Audit Plan for following year.
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process.
Whistleblowing Policy	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2013/14.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation.
Compliance with Regulation of Investigatory Powers Act (RIPA)	A report on the Council's compliance with the Regulation of Investigatory Powers Act.
Members Code of Conduct Complaints Update	Update on the number and outcome of complaints
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
	<i>The following items may, subject to requirement, be presented to the Committee.</i>
Insurance	<p>The Committee is, where necessary, 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.</p> <p>To be included in a future Risk Management Update Report.</p>
Anti Money Laundering	Consideration of any updates to the Anti Money Laundering Policy and assurance from management that measures are operating effectively.
Training for Standards Hearings	Hearings training for panel members.

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