

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 22nd January, 2015 in Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

Councillors B Burkhill, S Corcoran, M Hardy, A Kolker, B Murphy and D Neilson.

Councillors in attendance:

Councillor B Moran and P Raynes.

Officers in attendance:

Andrew North – Corporate Manager Audit and Governance
Iolanda Puzio – Legal Team Manager
Jon Robinson – Audit Manager
Sandra Smith – Customer Relations and Compliance Manager
Judith Tench – Head of Corporate Resources and Stewardship
Joanne Wilcox – Corporate Finance Manager
Cherry Foreman – Democratic Services Officer

External Auditor (Grant Thornton)

Allison Rhodes

36 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Fletcher and D Marren.

37 DECLARATIONS OF INTEREST

There were no declarations of interest.

38 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

39 MINUTES OF PREVIOUS MEETING

Minute 30 (Payments to Directors of Council Owned Companies) was amended to add *'It was suggested that full disclosure of all payments by Councillors should be by way of a single table showing all the information in para 9.13.'*

RESOLVED

That, subject to the inclusion of the above, the minutes of the meeting held on 20 November 2014 be approved as a correct record.

40 EXTERNAL AUDIT UPDATE

The External Auditor presented an update on progress to date in delivering their responsibilities. An Appendix to the report tabled work in progress. The report also highlighted emerging national issues and developments which might be of relevance to Cheshire East.

Particular attention was drawn to accounting and audit issues in respect of school land and buildings on local authority balance sheets; this was an issue which was thought to have been settled but had recently been reignited. The Committee was advised that Grant Thornton were taking a leading role in trying to resolve the position and that it would be advised of the outcome as soon as possible.

Attention was also drawn to a current consultation by the DCLG on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018, instead of 30 September. Real changes would have to be made in the way both Local Authorities and their Auditors worked in order to achieve the earlier deadline. Whilst it was appreciated that there were advantages to closing the end of year accounts quickly it was considered that this should also be done as accurately possible without placing unnecessary stress on those involved. It was confirmed that Officers would be responding to the consultation and would ensure that appropriate measures were in place should the change take place.

The main recommendations of the Kerslake report on Birmingham City Council were highlighted as they were especially relevant to large Unitary authorities. It was confirmed that the Corporate Leadership Board were aware of the issues and that they would be assessed further with regard to any messages for Cheshire East.

RESOLVED

That the report be noted.

41 CERTIFICATION OF CLAIMS AND RETURNS

Consideration was given to the key findings of the External Auditor following their completion of the certification process for the 2013/14 claims and returns. A letter attached to the report summarised the key findings in respect of two claims totalling £91 million. It had been concluded that the Council had appropriate arrangements to compile complete, accurate and timely claims and returns.

RESOLVED

That the report be noted.

42 TREASURY MANAGEMENT STRATEGY AND MRP STATEMENT 2015/16

Consideration was given to the Treasury Management Strategy Statement, incorporating the Minimum Revenue Provision Policy Statement for 2015/16 and also the Investment Strategy and Prudential and Treasury Indicators 2015/18. The report was due to be considered by both the Cabinet and Council; the date of the Cabinet meeting had been moved to 11 February which would bring about some changes to the figures.

The key elements of the strategy for 2015/16 were set out as being to retain capital financing costs within an affordable limit of c.£14m; not enter into any overall additional external borrowing in 2015/16; to take an appropriate approach to risk if short term loans were required by only borrowing from lenders identified in the strategy; to maintain security of investments by only using counterparties detailed in the strategy and to support a flexible approach to treasury management that could react to opportunities and market conditions to maximise effectiveness, whilst protecting the public funds managed within the strategy.

RESOLVED

That the Treasury Management Strategy and the Minimum Revenue Provision Policy Statement for 2015/16 be noted and submitted to Cabinet and to Council on 11 and 26 February 2015 respectively.

43 COMPLIANCE WITH THE DATA PROTECTION ACT, FREEDOM OF INFORMATION ACT AND ENVIRONMENTAL INFORMATION REGULATIONS

Consideration was given to an update on how Cheshire East Council fulfils its obligations under the Data Protection Act (1998), and the Freedom of Information Act (2000) (including the Environmental Information Regulations (EIR)). The report highlighted the volume of requests, trends and current and future issues. It was reported that for the first time since the inception of the Council FOI requests had marginally reduced and, also, only 4 complaints about the Council had been referred to the Information Commissioner compared to 13 in the previous year.

RESOLVED

That the arrangements in place to ensure compliance with the legislation be noted.

44 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000

Consideration was given to an update on the way in which the Council has complied with RIPA legislation during 2014/15, and the number of applications authorised to date. The Office of Surveillance Commissioners is responsible for inspecting the Council's use of, and compliance with, RIPA and the Council was due to be inspected this Spring in accordance with the biennial inspection regime. The last report had been very positive and any recommendations for improvement had been implemented.

RESOLVED

That the contents of the report in respect of the numbers of applications and the current arrangements in place to ensure the Council complies with the legislation be noted.

45 INTERNAL AUDIT INTERIM REPORT 2014/15

Consideration was given to a report on progress against the Internal Audit Plan and revisions to it. A detailed report had been considered at the last meeting (minute 33 refers) and therefore a highlight report covering work delivered

between October and December had been prepared, along with a brief outline of that planned for the remainder of the financial year.

RESOLVED

That the issues identified be noted, and the approach to achieving adequate audit coverage in the remainder of 2014/15 be endorsed.

46 AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT UPDATE

Members considered progress in implementing agreed actions arising from the 2013/14 self assessment of the Committee against good practice, and the evaluation of its effectiveness reported in March 2014. Points arising from the discussion would be used in planning the Committees work programme and training plans for the coming year, and also to inform the 2014/15 Annual Report.

Support was given to the improvement options given and particularly to expanding the attendance of non-committee members at meetings, especially newly elected Councillors, by involving as many as possible in member development training sessions and presentations on the findings of the External Auditors; encouraging a greater awareness by Committee members of their own knowledge and skills and so of their training needs; and to the use of performance indicators for the implementation of agreed recommendations within agreed timescales.

In addition further training was requested on the position regarding school land and buildings, as highlighted by Grant Thornton earlier in the meeting.

RESOLVED

1. That the progress in relation to the implementation of actions to improve the effectiveness of the Committee be noted, and the comments made be taken into account in preparing the Committee Work Plan for 2015/16.
2. That the self-assessment of the Audit and Governance Committee against good practice, and the evaluation of its effectiveness for 2014/15, be considered at the next meeting.

47 FRAUD AND CORRUPTION UPDATE REPORT

The Committee considered a report on national developments to counter the threat of fraud corruption, an update on the activity of Cheshire East Council, and details of work to be completed to ensure its compliance with best practice and improve its resilience to these threats.

Attention was drawn to the work of CIPFA, the Counter Fraud Centre, and of Internal Audit in reviewing and the Council's current arrangements. The success of a joint bid by the Council with Cheshire West and Chester, Warrington and Halton, to the Governments Counter Fraud Fund, was reported, and also that for funding to develop a Counter Fraud Smartphone App.

The Council's performance in certain key areas was detailed, along with comparisons with the average for Unitary Authorities. This showed that in common with many other Authorities the arrangements for non-benefit fraud were

not as well developed as those for benefits; this was an area, however, that was to be targeted using the resources reported above.

RESOLVED

That the report be noted.

48 REVISING THE COUNCIL'S CODE OF CORPORATE GOVERNANCE

An update was considered on the approach to updating the content and format of the Councils Code of Corporate Governance to reflect best practice and organisational change.

Areas of review included looking at it from the position of being a Commissioning Council, reviewing the continuing relevance of the principles and sub-principles of the Code, and ensuring that evidence sources were as wide ranging and comprehensive as possible. It was proposed that the Code be revised to include the sources of evidence, examples of which were shown in an Appendix to the report, and that it be considered further by the Committee at its meeting in June 2015.

In response to a question concerning whether or not the Code applied to the Councils WOCs and ASDVs, Members were advised that it did not but that they were governed by the Councils contractual process. It was requested that this be looked into further

RESOLVED

That approval be given to updating the Councils Code of Corporate Governance.

49 RISK MANAGEMENT UPDATE REPORT

The Committee considered the Council's risk maturity assessment and an update on the Corporate Risk Register. It was noted that the Council had previously been assessed between '*risk aware*' and '*risk defined*' and the Cabinet had set a target of '*risk managed*'.

In order to provide high level focus on risk management, control and governance arrangements a Corporate Assurance Group had been formed and it was considering measures needed to achieve the '*risk managed*' standard. It was reported that the Councils Risk Register had been reviewed recently in line with the Councils Risk Management Policy; Members selected the Public Sector Effort opportunity for review at the next meeting.

RESOLVED

That the report be noted and that the Public Sector Effort opportunity be reviewed further at the next meeting of the Committee.

50 WORK PLAN 2014/15

The Committee considered the Work Plan, which ran until the end of the current municipal year.

It was suggested that, as discussed earlier in the meeting, items be added to the Work Plan as follows: -

- Schools accounting (Minute 40 refers)
- Performance management (Minute 46 refers)
- Revised Code of Corporate Governance (Minute 48 refers)

RESOLVED

That the additions to the Work Plan as detailed above be noted and that it be considered further by the Committee at its meeting in June.

The meeting commenced at 2.00 pm and concluded at 4.30 pm

Councillor J Wray (Chairman)