

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 30th June, 2016 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor L Smetham (Chairman)
Councillor D Marren (Vice-Chairman)

Councillors G Baxendale, S Corcoran, R Fletcher, L Gilbert, A Kolker, M Simon and A Stott.

Councillors in attendance:

Councillors C Andrew, P Findlow, P Groves and G Wait.

Officers in attendance:

Peter Bates – Chief Operating Officer
Frank Collins - Marketing, Partnerships and Finance Officer
Josie Griffiths – Principal Auditor Shared Services and Partnerships
Bill Norman - Director of Legal Services and Monitoring Officer
Dominic Oakshott –Manager Professional and Commercial Services
Alex Thompson – Manager Strategy and Reporting
Michael Todd – Principal Auditor Fraud
Jo Wilcox – Corporate finance Manager
Cherry Foreman – Democratic Services Officer

External Auditors (Grant Thornton)

Allison Rhodes and Jon Roberts

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Martin Hardy.

2 DECLARATIONS OF INTEREST

In respect of items on the agenda that involved discussion of the Council's ASDVs, Councillor David Marren declared a personal interest by virtue of being Chair of Orbitas Bereavement Services and Councillor Lesley Smetham by virtue of being a Director. Councillor Andrew Kolker declared a personal interest by virtue of being Chair of Everybody Sport and Recreation and Chair of Civicance.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

4 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting be approved subject to an amendment to minute 60 (Managing Complaints upheld by the Local Ombudsman) to add the following

sentence to the final paragraph of the preamble: *'It was noted that new procedures had been put in place so that where the Ombudsman submitted a draft report to the Council finding fault, a senior officer would review the Ombudsman report and any suggested council response.'*

5 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

The Council's Auditors, Grant Thornton, introduced this report on work to be carried out in their statutory audit of the Council's financial statements and arrangements for securing value for money for the year ended 31 March 2016. It was reported that an interim audit had been completed in March and work on the final accounts had commenced; progress to date on grant certification work and the value for money conclusion was also given and Members had the opportunity to ask questions.

Consideration was also given to the planned fee letter for 2016/17 and it was confirmed that work in respect of Highways was not included in that sum and had yet to be determined.

RESOLVED

That the update report and the planned fee letter be noted.

6 INTERNAL AUDIT ANNUAL REPORT 2015/16

Consideration was given to the Internal Audit opinion for 2015/16 on the overall adequacy and effectiveness of the Council's control environment i.e. governance, risk management and control. The report was timed to feed into and inform the Annual Governance Statement and detailed the work carried out against the actual plan to support the overall opinion and also to provide assurance.

In considering work undertaken it was reported that a significant part of the resource had been taken up by the review of procurement and WARN forms, work on which remained incomplete due to an ongoing police investigation. The tragic loss of the Audit Manager, Jon Robinson, and the absence of the Corporate Manager Governance and Audit, meant consideration would also need to be given to how the team could be supported to enable the continued provision of an effective, efficient and economic audit function, and to the completion of the procurement review in due course. The Audit Team was congratulated on their work and professionalism throughout this difficult time.

The report included the implementation rate of agreed audit recommendations and in response to a request from Members it was agreed that, where this did not happen within the agreed deadline, then the appropriate Manager be invited to the Committee to discuss the position further.

RESOLVED

1. That the Audit Annual Report 2015/16 and the opinion on the Council's framework of risk management, control, and governance, be noted.
2. That where agreed audit recommendations had not been implemented within the agreed deadline the appropriate Manager be invited to a

meeting of the Audit and Governance Committee to discuss the position further.

7 DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

The Committee considered the draft Annual Governance Statement (AGS) 2015/16 explaining how the Council made its decisions, managed its resources and promoted values and high standards of conduct and behaviour. The aim of the AGS was to provide assurance on the effectiveness of the Council's processes, identify weaknesses and support the continuous improvement of the Authority.

Through the reviews carried out to produce the AGS it had been demonstrated that work within the Council was generally carried out to the high standards expected and needed by its residents. The Chief Operating Officer, as the Council's Section 151 Officer, had endorsed the Internal Audit opinion that the Council's framework of risk management, control and governance was adequate for 2015/16.

Amendments to the draft AGS were agreed as follows:

- para 2.6 to the tense relating to increases in local taxes
- para 2.8 to clarify the amount of spending per head of population
- para 3.11 to amend the name of the Environment Scrutiny Committee
- para 4.8 to add that in the event of fault being found by the Ombudsman a senior officer was to review their draft report and the Council's response

In discussing the culture of the organisation the Committee welcomed the inclusion of contract waivers and non adherences (WARNs) as a regular agenda item. It was expected that responses to the current staff survey would provide important feedback on this aspect and it was agreed they form the basis of a report to a future meeting of the Committee. The importance placed on the work of Internal Audit and the willingness of managers to be challenged, the planned introduction of recording meetings, changes brought about by the Transparency Agenda and the move to being 'open by default' were all welcomed as improvements.

RESOLVED

1. That the draft Annual Governance Statement 2015/16 be noted, the amendments detailed above included, and that the final statement considered by the Committee at its meeting in September.
2. That responses to the staff survey be reported to a future meeting of the Committee.

8 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2015/16

The draft Pre Audit Statement of Accounts for the period ending 31 March 2015 were reported. This was the second year that Group financial statements had been prepared presenting a mixture of wholly and jointly owned subsidiary private interests. A surplus of £0.5m (0.2%) against the approved revenue budget of £246.6m had been generated and it was the fourth consecutive year that a favourable outturn position had been reported.

A number of operational highlights relating to the Borough were reported and the Committee received a presentation on the Statement and summary of accounts in advance of their formal approval in September. In respect of the reporting of recycling rates it was agreed that a note be added into the accounts alongside the recycling rates detailing the actual tonnage that went to landfill.

It was reported that preparations were already underway for reporting the Statement of Accounts in 2017/18 when the deadline for producing the draft would be moving forward to 31 May 2017 and the final audited version to 31 July 2017.

RESOLVED

1. That the summarised position of the accounts for the year ended 31 March 2016 be noted, subject to the addition of landfill statistics to the figures on recycling.
2. That the publication of the draft Statement of Accounts and the Annual Governance Statement by 30 June 2016 be noted.

9 WHISTLEBLOWING ARRANGEMENTS UPDATE REPORT

The Committee was given an update on the effectiveness of the Council's Whistleblowing Policy for which it was responsible for overseeing the arrangements and reviewing its effectiveness.

The report included a breakdown of the 16 reports received during 2015/16. Two did not fall under the scope of the Policy, three were unsubstantiated following investigation, and 11 had been included within an ongoing audit. Overall, this represented a 129% increase in the total since 2015. However, many of the referrals related to an ongoing high profile procurement issue. If these were excluded then the number was consistent with the figures for the two previous years. The role played by anonymous referrals was also discussed and it was recognised that these could be very difficult to investigate.

In response to a suggestion that a useful addition to the Policy would be to enable referrals to be made directly to Members of the Committee the Director of Legal Services advised that guidance would need to be put in place to support Members who were approached under the Policy. In addition the matter would need to be referred to the Constitution Committee for consideration.

RESOLVED

1. That the report be noted and the ongoing review of the Council's whistleblowing arrangements be endorsed.
2. That it be recommended to the Constitution Committee that:
 - a. the list contained in the Whistleblowing Policy of those people to whom a referral can be made be amended to include Members of the Audit and Governance Committee; and
 - b. the Constitution be amended accordingly.

10 RISK MANAGEMENT UPDATE REPORT

Consideration was given to this report on the progress of risk management work undertaken against the agreed actions within the strategy. The key strategy priorities were listed along with a summary of progress to date for each.

The importance of Business Continuity Plans was discussed, and of the need to be able to ensure the continuing work of the Council in the event of, for example, a pandemic. It was reported that the recently revised corporate structure would help to facilitate continuing service delivery under such circumstances and it was agreed that a progress report on this matter be considered at a future meeting of the Committee.

RESOLVED

That the report be noted and a report on Business Continuity Plans be considered at a future meeting of the Committee.

11 CHESHIRE EAST LIFELONG LEARNING SUB-CONTRACTING

All principal local authorities in receipt of finance from the Skills Funding Agency (SFA), and responsible for delivery of service by way of sub-contracting, have to make provision for there to be an audit of process in accordance with proper practices.

Beever and Struthers had been appointed to carry out the audit and to compile a report on the effectiveness of the Cheshire East Lifelong Learning systems, and the controls in operation in relation to subcontractors, for the commissioning year 2015/16. It was reported that seven sections had been reviewed, four of which had been rated as good and three as needing improvement; these were detailed in the report with an action plan for management responses and timescales for implementation.

RESOLVED

1. That the External Auditor's report for the commissioning year 2015/16 be received.
2. That the External Auditor's opinion for 2015/16, together with the recommendations for 2016/17 and beyond, be noted.

12 AUDIT AND GOVERNANCE COMMITTEE SELF ASSESSMENT

The Committee was asked to consider the results of a self assessment of its effectiveness carried out by the Chairman and Vice Chairman using the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)'. Tables attached to the report summarised the outcome of the 2015/16 draft self assessment, with the details available in a further appendix.

The self assessment formed part of the review of the systems of internal control and supported the production of the Annual Governance Statement. In considering the overall control environment positive improvements to the culture of the organisation were noted, such as the addition of the introduction of WARNs as a regular item on the Committee's agenda, and of Cardiff checks carried out

as part of the Counter Fraud Member/Officer Group work programme. In addition feedback from Member/Officer Work Groups was to be included on future agendas.

RESOLVED

1. That the Audit and Governance Committee Self Assessment be received and the actions arising be endorsed.
2. That a progress report on the actions arising be considered at a future meeting of the Committee.

13 AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

Consideration was given to the current Terms of Reference for the Audit and Governance Committee and to whether any changes needed to be made. An informal training session for Members had been held prior to the meeting at which the Terms of Reference had been discussed and compared with best practice and those of neighbouring authorities.

Following discussion it was agreed that the following amendments be made to the Terms of Reference for the Committee to include the establishing of Working Groups, and to amend the wording of point 22 (Internal Audit), currently incomplete, as follows:

- *The Committee may establish standing and time-bound Working Groups (which may but need not be politically balanced) to consider any matters within the Terms of Reference of the Committee.*
- *To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.*

RESOLVED

That the above amendments be made to the Terms of Reference for the Audit and Governance Committee and that they be referred to the Constitution Committee.

14 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE

The Committee was asked to consider arrangements for appointing an independent person following an amendment to the Committee's Terms of Reference to appoint an independent person who was not an elected Councillor.

The report detailed the recruitment process, drawn up in line with CIPFA guidance. The Committee would be asked to approve the co-option of the independent person at its next meeting. Consideration was also given to the make-up of the appointment panel and it was agreed that it comprise the Chairman, the Vice-Chairman and Councillor A Stott.

RESOLVED

1. That the Director of Legal Services in consultation with the Chairman and Vice-Chairman be authorised to undertake a recruitment process for the appointment of an independent person to sit on the Audit and Governance Committee, the process to be in accordance with the CIPFA best practice guidance set out in this report, including the preparation of a job description and person specification.
2. The outcome of the recruitment process be reported to the Committee's next meeting with a view to an individual being co-opted to the Committee.
3. That the appointment panel comprise the chairman, the Vice-Chairman and Councillor A Stott.

15 COMMITTEE WORK PLAN 2016/17

Consideration was given to the Committee's Work Plan and it was agreed that the following items be added:

- Whistleblowing framework and guidance for members of the Committee on receiving referrals
- Staff Survey responses

RESOLVED

That subject to the above additions the Committee Work Plan be approved.

16 ITEM SUBMITTED BY MEMBER

In accordance with Procedure Rule 34 (agenda items submitted by Members) Councillor Sam Corcoran asked that the following item be included on the agenda:

“This Committee is aware of serious but anonymous allegations. Good governance requires that decisions are based on evidence not unsubstantiated allegations. If any person has any evidence of wrongdoing the Committee urges them to bring that evidence to the attention of the relevant authorities, including the Chairman and Members of the Audit and Governance Committee.”

At the meeting Councillor Corcoran read out a statement to the effect that if any member of staff or the public had concerns about aspects of the Council's work and preferred not to contact the officers named in the Whistleblowing Policy then they could, in confidence, contact the Chairman, the Vice-Chairman or any member of the Audit and Governance Committee, the unions, the police or the charity set up for just such cases - Public Concern at Work (tel: 0207 4046609).

RESOLVED

That the statement, as set out below, be noted, and approval be given to the inclusion of the Chairman, the Vice-Chairman and Members of the Audit and

Governance Committee on the list in the Whistleblowing Policy of those to whom concerns can be reported.

Councillor S Corcoran's Statement

"It is amazing what people will tell you when they can trust your confidentiality. The importance of confidentiality has been mentioned in regards to whistleblowing.

Therefore I am not going to refer to the contents of any anonymous allegations. There is always a danger when you have something secret that people wonder what is going on and it gets magnified out of proportion, so I am pleased to be able to refer you to Private Eye if you don't know what we're talking about.

Serious but anonymous allegations cause huge problems for me and for others. I've already referred to the problems over confidentiality – I don't want to publicise the allegations because they're confidential, but I don't want a rumour mill to get out of hand.

I want to protect the potential whistleblower, but I can't because I don't know who they are.

I want to ask some follow up questions. I want to let the person know of what action is already being taken, but I can't because I don't know who they are. Therefore I appeal to people to come forward. If you really don't want to use the whistleblowing procedure then you can contact the Chair of this committee, any member of this committee, the unions, or the charity set up for just such cases Public Concern at Work tel 02074046609.

There is another reason for putting this item on the agenda and that is to let potential whistleblowers know that we do take allegations seriously. Just because you don't see anything happening publicly it does not mean that no action is being taken. There is a need for confidentiality in some cases. I will end where I started:

It is amazing what people will tell you when they can trust your confidentiality."

17 WAIVERS AND NON ADHERENCES

The Committee considered a report updating them on the quantity and reasons for Waiver and non Adherences (WARNs) approved between 1 February and 31 May 2016. The report also compared the figures with those for the two previous years and it was noted that the number for the period April 2015 to March 2016 had reduced by 20.5% on the same period the previous year, due to forward planning using the contracts register to drive procurement activity. The number issued per service was also given.

In response to requests arising during discussion, and in order to continue to improve the reporting process, it was agreed that the sequential numbering of the WARNs issued be provided to help identify the frequency of the notices issued, and also that reasons for non Adherence be given in the same way as they were for the WARNs.

RESOLVED

That the report be noted and that the above additions to the reporting process be implemented.

18 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

19 WAIVERS AND RECORD OF NON ADHERENCE NOTIFICATIONS

RESOLVED

That the approved WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor L Smetham (Chairman)