

Audit and Governance Committee

Agenda

Date: Thursday, 30th June, 2016
Time: 2.00 pm
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 body in question.

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 - 8)

To approve as a correct record the minutes of the meeting held on 17 March 2016.

5. **External Audit Progress and update Report** (Pages 9 - 26)

To receive and comment on the report and the planned fee letter.

6. **Internal Audit Annual Report 2015/16** (Pages 27 - 48)

To consider the report, and the opinion on the Council's framework of risk management, control and governance.

7. **Draft Annual Governance Statement 2015/16** (Pages 49 - 86)

To consider and comment upon the draft Annual Governance Statement and to note that the final Statement will be considered by the Committee at its meeting in September.

8. **Draft Pre-Audit Statement of Accounts 2015/16** (Pages 87 - 92)

To note the summarised position of the accounts for the year ended 31 March 2016, based on a presentation to be given at the meeting, and also the dates in relation to the approval process.

9. **Whistleblowing Arrangements Update Report** (Pages 93 - 96)

To note the report and endorse the ongoing review.

10. **Risk Management Update Report** (Pages 97 - 100)

To consider the report and that progress on actions be considered at future Committee meetings.

11. **Cheshire East Lifelong Learning Sub-Contracting** (Pages 101 - 128)

To consider the report of the external auditor for the commissioning year 2015/16, and to note its opinion and recommendations for the future.

12. **Audit and Governance Committee Self Assessment** (Pages 129 - 152)

To consider the self assessment and any required amendments, endorse the actions arising, and note that a further report will be submitted to a future meeting of the Committee.

13. **Audit and Governance Committee Terms of Reference** (Pages 153 - 160)

To consider the Committee's current Terms of Reference and whether any changes would be desirable.

14. **Appointment of an Independent Member to the Audit and Governance Committee** (Pages 161 - 164)

To consider the arrangements for appointing an independent person to the Committee.

15. **Committee Work Plan 2016/17** (Pages 165 - 178)

To consider the Work Plan and any amendments to it.

16. **Item Submitted by Member**

In accordance with Procedure Rule 34, Councillor Sam Corcoran has asked that the following item be included on this 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 this Committee).'

Note: Procedure Rule 34 (agenda items submitted by Members) allows a Member of the Council, by notice given to the Monitoring Officer no later than ten clear working of days before the appropriate meeting, to request that an item of business be included on the agenda of a Committee or Sub-Committee.

17. **Waivers and Non Adherences** (Pages 179 - 184)

To note the quantity of WARNs, and the reasons for their issue, for the period 1 February to 31 May 2016.

18. **Exclusion of the Press and Public**

The reports relating to the remaining item on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matter may be determined with the press and public excluded.

The Committee may decide 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.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

19. **Waivers and Record of Non Adherence Notifications**

To note the approved WARNs issued between 1 February and 31 May 2016.

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 17th March, 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, M Hardy, A Kolker,
M Simon and A Stott

Councillors in attendance:

Councillors P Findlow and S Gardiner

Officers in attendance:

Peter Bates – Chief Operating Officer
Lianne Halliday – Procurement Manager
Bill Norman – Director of Legal Services and Monitoring Officer
Andrew North – Corporate Manager Governance and Audit
Gareth Pawlett – Corporate Manager ICT
Sandra Smith – Customer Relations and Compliance Manager
Keith Sutton – ICT Security Project Manager
Helen Sweeney – Senior Customer Relations and Compliance Officer
Alex Thompson – Manager Strategy and Reporting
Jo Wilcox – Corporate Finance Manager
Cherry Foreman – Democratic services Officer

External Auditors (Grant Thornton)

Alison Rhodes and Jon Roberts

Jon Robinson

A minutes silence was observed in memory of Jon Robinson of Internal Audit who had recently passed away.

46 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor C Andrew.

47 DECLARATIONS OF INTEREST

There were no declarations of interest.

48 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

49 MINUTES OF PREVIOUS MEETINGS

RESOLVED

That the minutes of the meetings held on 10 December 2015, and 18 February 2016, be approved as a correct record.

50 INFORMING THE EXTERNAL RISK ASSESSMENT FOR CHESHIRE EAST COUNCIL

(During consideration of this item Councillor D Marren declared a personal interest by virtue of being Chairman of Orbitas Bereavement Services; Councillor L Smetham declared a personal interest by virtue of being a Director of the same.)

Alison Rhodes of Grant Thornton introduced this report on management's response to questions posed by the External Auditor with regard to their work in the areas of fraud, laws and regulations, the Council as a going concern, accounting estimates and related party transactions. The Committee was asked to consider whether the responses were consistent with its understanding and whether there were any further comments it wished to make.

Members received clarification on items including fraud risk assessment, the outcome of VAT inspections for Ansa Environmental Services and Orbitas Bereavement Services, and on Market LOBO Loans. In considering the Council's medium term financial strategy and financial controls it was agreed that the Officers would consider opportunities for the future involvement of the Corporate Scrutiny Committee as a means of encouraging openness and transparency.

RESOLVED

That the report be noted.

51 EXTERNAL AUDIT PLAN 2015/16

(During consideration of this item Councillor A Kolker declared a personal interest by virtue of being a Director of Civacance.)

Jon Roberts of Grant Thornton introduced the Audit Plan for the year ending March 2016; it set out their approach to completing a risk based audit in which the focus would be on those areas they had identified as being at risk of material misstatement in the accounts. The findings would be issued prior to the approval of the financial statements in order to present key issues and other matters arising from the audit together with an explanation as to how they had been resolved.

Various matters were highlighted including the challenges and opportunities faced by the Council, developments and changes in national audit requirements, materiality, value for money, and the fees to be charged. Members had the opportunity to raise any points of interest or concern.

RESOLVED

That the Audit Plan for 2015/16 be received and noted.

52 INTERNAL AUDIT INTERIM REPORT 2015/16

Consideration was given to the report of the Corporate Manager Audit and Governance on progress against the Internal Audit Plan 2015/16, revisions to the Plan, and to a summary of the work undertaken between October and December 2015. He reported that assurance work was progressing well, as were the Schools Audits. The ongoing review of procurement had caused some resource issues but the annual plan had been revisited and planned audit work for the remainder of the year had been refocussed. Members were advised that some of the wider lessons from the review had already been shared with the procurement team.

An updated Internal Audit Charter was submitted for consideration. It was highlighted that Internal Audit was authorised full, free and unrestricted access to any and all of the Council's records, physical properties and personnel in connection with any of its work, and also had free and unrestricted access to the Audit and Governance Committee.

RESOLVED

1. That the issues identified be noted, the approach to achieving adequate audit coverage in the remainder of 2015/16 be endorsed, and future audit issues and ways of working be discussed as appropriate.
2. That approval be given to the updated Internal Audit Charter.

53 SUMMARY INTERNAL AUDIT PLAN 2016/17

The Committee considered the report of the Corporate Manager Audit and Governance on the summary Internal Audit Plan 2016/17. Its preparation had included a wide ranging consultation with key stakeholders, including Senior Management, Strategic Risk Owners/Managers and other assurance providers in order to establish the priorities for audit activity in the coming financial year; this had then been matched against available resources.

The report detailed the key themes that had emerged which included the governance of partnership and commissioning arrangements, reviewing commissioning lifestyles across services and the review of secondary control functions. Where there was an imbalance between the work plan and the resources available the Committee would be informed of proposed solutions.

RESOLVED

1. That approval be given to the Summary Internal Audit Plan 2016/17 as detailed in Appendix A of the report.
2. That a more detailed Internal Audit Plan be developed and produced in the first quarter of 2016/17 for discussion and agreement with the relevant Member/Officer Group.
3. That the thanks and appreciation of the Chairman and the Committee be extended to the Internal Audit Team for all their work and efforts.

54 MEMBERS CODE OF CONDUCT - STANDARDS REPORT

Consideration was given to the report of the Director of Legal Services on the number of complaints received under the Code of Conduct for Members. In accordance with the Localism Act the Council had a duty to promote high standards of conduct amongst its own elected members, co-opted members, and town and parish council members.

Between 1 September 2015 and 29 February 2016 it was reported there had been fifteen complaints, eight of which related to Cheshire East Councillors and seven to members of town or parish councils in the borough and the outcome was given where it was known. In addition 6 complaints were currently awaiting initial assessment and 8 had been determined as needing no further action.

It was requested that more detail be provided on the individual complaints, and also an indication of the costs incurred. It was recognised that dealing with the complaints, including the preliminary advice and interaction with complainants before a complaint was received, took a considerable number of officer hours.

RESOLVED

That the report be noted and that further details on the complaints received, as requested above, be included in future reports.

55 PERFORMANCE MANAGEMENT ARRANGEMENTS

Members received a presentation on the arrangements and controls in place to prepare, manage and report on the Council's medium term budget and financial strategy. The presentation took members through the process from budget setting when the parameters were first set and evidence provided for the financial estimates for the year, how it was monitored throughout the year, leading to the end of year position and the opening balances for the process to start again.

RESOLVED

That the arrangements be noted.

56 COMPLIANCE WITH DATA PROTECTION ACT 1998, FREEDOM OF INFORMATION ACT 2000, AND ENVIRONMENTAL INFORMATION REGULATIONS 2004

The Committee considered an update on the performance of the Council in responding to requests under the above Acts the purpose of which was to make public bodies open and transparent whilst also protecting personal data from improper use. The report highlighted the volumes, trends, and current and future issues which included some forthcoming changes to Data Protection Regulations.

Members were advised that a new system 'i-Casework' would be fully operational this April and it was anticipated this would significantly increase the efficiency of the processes. It would also enable the production of a Freedom of Information disclosure log on the Council's website, showing the requests received and the response issued.

It was reported that the Information Commissioner had received eight complaints about Cheshire East Council three of which were ongoing, one withdrawn, three upheld in the Council's favour and one in the requestors favour. It was confirmed that decisions found against the Council were published on the website.

RESOLVED

That the performance of the Council be noted and the key recommendations of the Independent Commission on Freedom of Information, shown in Appendix 1 of the report, be supported.

57 COMPLIANCE WITH RIPA 2000

Consideration was given to a report on how the Council complied with the Regulation of Investigatory Powers (RIPA) legislation during 2015/16. As RIPA powers could conflict with individual's human rights it was imperative that the authorisation procedures set out in RIPA legislation were followed. The report listed the Council's authorising Officers and showed the number and type of applications for which it had been used in the current year and also by comparison with previous years.

RESOLVED

That the report be noted.

58 ANTI FRAUD AND CORRUPTION POLICY

The Corporate Manager Governance and Audit presented a report updating the Committee on the Council's arrangements for countering the threat of loss through fraud and corruption. Fraud was recognised as a major issue facing all public bodies and hence in 2014 CIPFA had produced a Code based on five main principles with a guidance note on the implementation of each.

During 2015/16 Internal Audit had further developed the Council's response to the threat and this was explained in full in the report. In considering the draft of the new Anti-Fraud and Corruption Policy amendments were requested as follows:

- para 1.1 - change the word 'will' in the second sentence to 'might'.
- para 6.8 - be expanded to include what the powers of the External Auditor were to independently investigate fraud and corruption and how they could be used.

RESOLVED

That the report be noted, and the proposed Anti-Fraud and Corruption Policy be approved subject to the above amendments.

59 CHESHIRE EAST EMAIL AND ARCHIVING ARRANGEMENTS

Members received a presentation on the Council's development of best practice email archiving and management arrangements. Due to the quantity of emails to be managed the system now needed to be migrated and certain measures put in place to enable them to then be retrieved as and when necessary. Staff would

be given comprehensive training on the storage of information contained in emails to enable them to prepare in good time for the migration which was to be carried out on a phased basis.

It was noted that different arrangements would apply to those involved with children's services in the light of the Goddard Inquiry which, although still running, had issued a statement that there should be 'indefinite retention of electronic mail where accounts may contain information.'

RESOLVED

That the presentation be noted.

60 MANAGING COMPLAINTS UPHELD BY THE LOCAL GOVERNMENT OMBUDSMAN

A presentation was given on the Council's process for the review and administration of Local Government Ombudsman (LGO) Reports during 2015/16. Members were advised on the key stages in the process from the start through to completion including action taken on the receipt of the provisional view and arrangements for publishing the findings on the Council's website.

The presentation included details of the complaints and enquiries received by the LGO in the period 1 April 2015 to 31 January 2016. Members were informed that eight cases had been upheld, four with fault and no injustice, and four with injustice and the action to be taken in each case was reported.

The Committee considered the procedures in place were adequate and noted the outcomes which could all be used as part of a learning process.

RESOLVED

That the presentation be noted.

61 ARRANGEMENTS FOR THE FORWARD PLAN FOR THE COUNCIL'S KEY DECISIONS

The Director of Legal Services gave a presentation on the Council's commitment to open government and arrangements to encourage residents to have their say on the decisions that affect them and the community as a whole. The legal requirements for the publication of key decisions were outlined and it was noted that the Council's performance compared very favourably with that of other authorities. In order to improve practice a business review of report management was currently being carried out and there would be further training for Officers on the process, decision routes and forward plan.

RESOLVED

That the presentation be noted.

62 WORK PLAN 2016

Consideration was given to the Committee's Work Plan and it the following additions and deletions were agreed:

- The report on Core Fit be added to the Plan with a date to be confirmed.
- A review of the Terms of Reference of the Committee be carried out, to ensure information is used correctly and sensitively, and that the Committee continues to provide strong governance.
- The assessment of Members of the Committee against the core knowledge and skills and framework be removed.

In considering the Feedback from Member/Officer Groups the Vice Chairman reported on the Cardiff Checks carried out since the last meeting; the work had been very useful and informative and had provided some excellent learning points for the organisation as a whole.

RESOLVED

That, subject to the points listed above, the Work Plan be approved.

63 WAIVERS AND NON ADHERENCES

The Procurement Manager presented a report on the quantity and reasons for the issue of Waiver and Non Adherences (WARNs) and gave details of the total number issued for 2015/16. The report listed the circumstances whereby a WARN could be used, and the approval process, and summarised the number per service area along with the reasons for issue.

The Committee was advised that a new template had been drawn up and the process was continually being updated in the light of experience. Also, in every case where a WARN was used follow-up action was detailed and this was subsequently carefully monitored.

It was confirmed that this would be a regular report to the Committee and it was proposed that statistics be collated from the start of the 2016 Municipal Year with the intention of being able to compare the overall position on an annual basis.

RESOLVED

That the report be noted.

64 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That 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.

65 WAIVERS AND RECORD OF NON ADHERENCE NOTIFICATIONS

The WARNs which had been approved since December 2015 were circulated for review and then returned by each Member at the close of the meeting. A discussion ensued on whether for future months the review of the WARNs should be carried out by the Committee as a whole or by referral to one of its Working Group. It was agreed that they be looked at in detail by the Audit and Finance Working Group but that they also be circulated in their entirety to the Committee.

RESOLVED

That the approved WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 5.45 pm

Councillor L Smetham (Chairman)

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 30th June 2016
Report of: Chief Operating Officer
Subject/Title: Grant Thornton ~ Audit & Governance Progress and Update Report
Portfolio Holder: Councillor Peter Groves (Finance)

1.0 Report Summary

- 1.1 The progress and update report from Grant Thornton for the year ended 31st March 2016 and the planned fee letter for 2016/17 are provided as Appendices to this report.

2.0 Recommendation

- 2.1 That members receive and comment on the report and the planned fee letter.

3.0 Reasons for Recommendations

- 3.1 The report sets out the work that the Council's Auditors, Grant Thornton will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None.

7.0 Financial Implications

- 7.1 The level of fees for the audit work specified by the external auditors was reported to this committee on 17th March 2016 and will be met from within the existing revenue budget.

8.0 Legal Implications

- 8.1 None.

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 Grant Thornton has been appointed as the Council's independent external auditors by the Audit Commission. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 10.2 The report provides members of the Committee with an update on progress of the external audit; it also includes a summary of emerging national issues and developments relevant to the Council.
- 10.3 Grant Thornton completed an interim audit in March and commenced their final accounts audit work on 8th June 2016; progress on their work to date is set out on pages 5 - 7 of the report.
- 10.4 The report also provides an update on progress to date on the grant certification work and the Value for Money conclusion.
- 10.5 Grant Thornton will be attending the meeting to answer any questions raised by members on the report.

11.0 Access to Information

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

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

Audit and Governance Committee Progress and Update Report for Cheshire East Council

Year ended 31 March 2016

20 June 2016

Jon Roberts

Partner

T 0117 305 7699

E jon.roberts@uk.gt.com

Allison Rhodes

Audit Manager

T 0121 232 5285

E allison.rhodes@uk.gt.com

Lisa Morrey

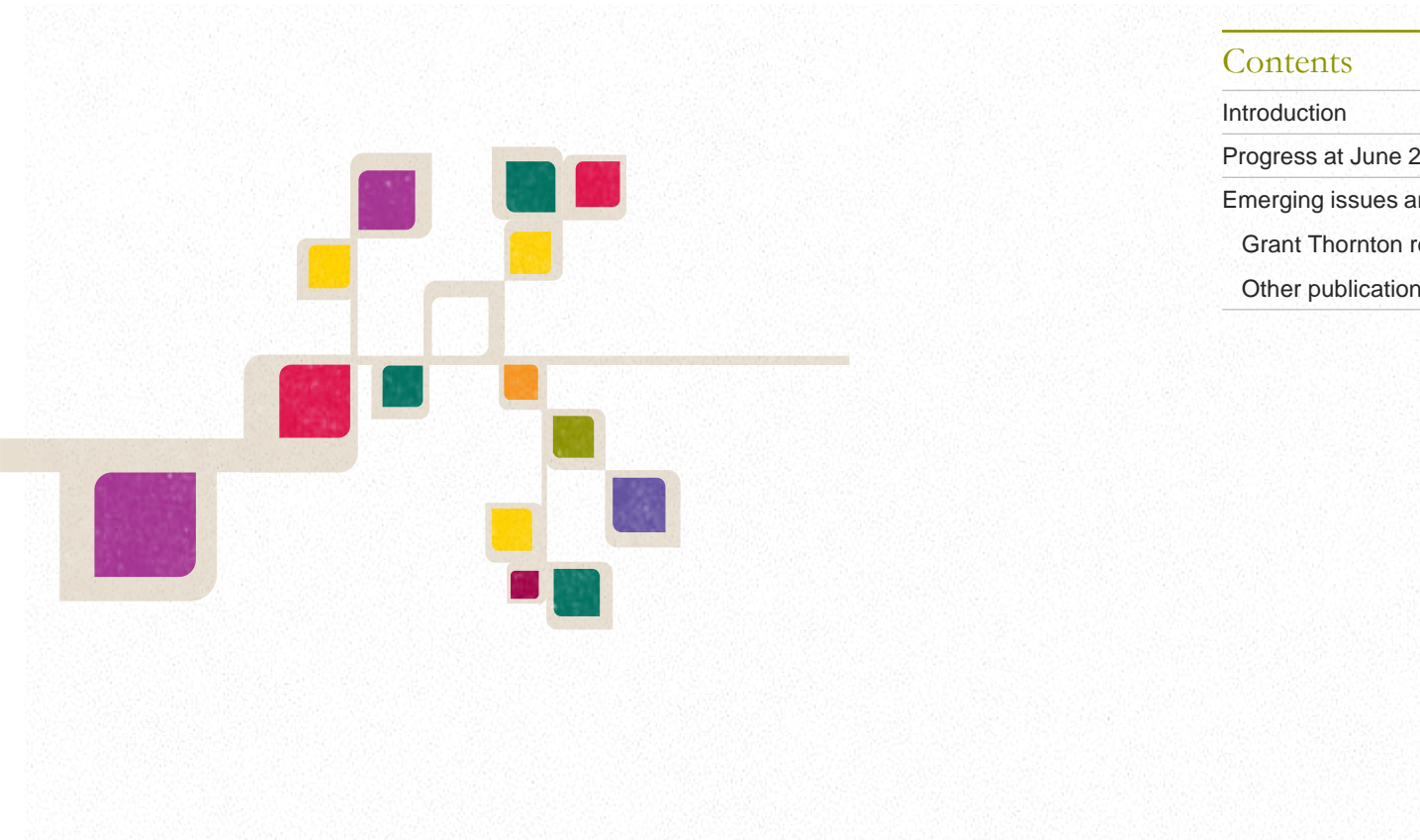
In Charge Auditor

T 0121 232 5302

E lisa.morrey@uk.gt.com

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.

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 including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/
- Turning up the volume: The Business Location
www.grantthornton.co.uk/en/insights/turning-up-the-volume-the-business-location-index/

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 either your Engagement Lead or Engagement Manager.



Jon Roberts

Partner

T 0117 305 7699
M 07919 380840
E jon.roberts@uk.gt.com



Allison Rhodes

Engagement Manager

T 0121 232 5285
M 07880 456 118
E allison.rhodes@uk.gt.com

Progress at 20 June 2016



Progress against plan

On track



Opinion and VfM conclusion

Plan to give before deadline of 30 September 2016

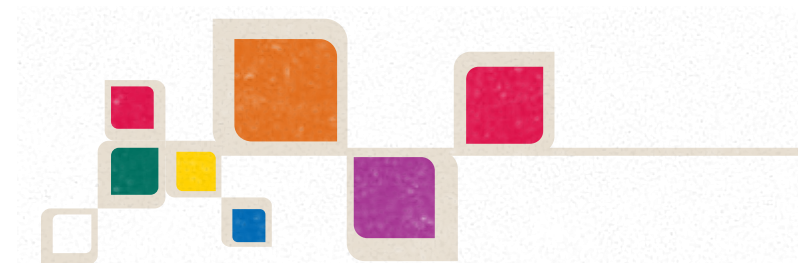


Outputs delivered

Fee letter, Progress Reports, delivered to plan

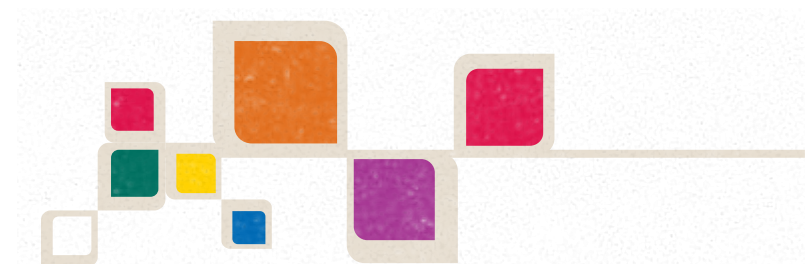
2015/16 work	Completed	Comments
Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2015.	April 2015	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit and Governance committee.
Accounts Audit Plan We 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 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.	March 2016	This was presented to the Audit and Governance Committee in March.
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 	March 2016	We reported some audit findings from our interim fieldwork in our audit plan in March. As part of our formal communication between auditors and the council's Audit and Governance Committee, as 'those charged with governance' we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. This was also presented to the Audit and Governance Committee in March.

Progress at 20 June 2016



2015/16 work	Completed	Comments
Final accounts audit Including: <ul style="list-style-type: none"> Audit of the 2015/16 financial statements proposed opinion on the Council's accounts 	<i>In progress</i> <i>Field work in June – July, opinion to be issued by 30 September 2016</i>	<p>We planned to complete our audit by 31st July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>The Council provided an initial draft of the accounts on 8 June but at this stage had more work to do to include the narrative report, the cash flow statement and the group financial statements.</p> <p>We have shared the findings from our initial review of these draft accounts with the finance staff so that they can consider these points and make improvements for some of the matters highlighted, at an early stage.</p> <p>We provided a schedule of the evidence needed to support the financial statements and we refer to the information that has been collated by the Council as the audit progresses.</p> <p>Throughout the audit we have discussed the implications of emerging accounting matters with finance staff.</p> <p>We have also met with Internal Audit to discuss the progress in preparing the Council's Annual Governance Statement for 2015/16, and to highlight and discuss the requirements of the proper practice set out in CIPFA/ SOLACE document 'Delivering good Governance in Local Government: Framework'.</p>
Value for Money (VfM) conclusion The Code requires auditors to satisfy themselves that "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The overall criterion is "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties 	<i>Field work in June – July, formal conclusion reported by 30 September 2016</i>	<p>The scope of our work differs from previous years and is set out in the final guidance issued by the National Audit Office in November 2015.</p> <p>We set out the result of our risk assessment and the proposed focus of our work in the audit plan presented to the Audit and Governance Committee in March</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

Progress at 20 June 2016



2015/16 work	Completed	Comments
Grant certification		
The only grant claim to be certified for 2015/16, under the existing PSAA framework is the housing benefits subsidy claim.	<i>To be certified by end of November 2016</i>	The Council has prepared the draft claim for housing benefits subsidy and the initial audit testing is underway.
Other audit related services		
We have recently provided a 'reasonable assurance report' in respect of the grant income received for Local Transport Plan Major Projects – Crewe Green Link Road 2014/15 expenditure.	May 2015	The work was completed in accordance with the requirements of the Department for Transport and is covered by a separate letter of engagement.
'Reasonable assurance report' in respect of the Teacher' Pensions Return for 2015/16.	<i>To be certified by end of November 2016</i>	The Council has prepared the return. We will agree a separate letter of engagement for this work.
Other activities		
We provide a range of workshops, along with network events for members and publications to support the Council.	Ongoing	<p>We have met with finance staff to discuss the changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>We have provided a briefing paper setting out the new requirements for the Narrative Report, that replaces the explanatory foreword in the financial statements.</p> <p>As well as working with CIPFA to present a series of accounts closedown workshops, we have also provided specific workshops focussing on the accounting and governance implications of the Better Care Fund and the complex requirements for the Accounting for Highways Network Asset.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 8.</p>

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>



Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

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ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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Mr P Bates
Chief Operating Officer
Cheshire East Council
Westfields
Middlewich Road
SANDBACH
CW11 1HZ

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

T +44 (0)121 212 4000

www.grant-thornton.co.uk

18 March 2016

Dear Peter

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

Chartered Accountants

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PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £154,590.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns [if applicable]

The Council's indicative grant certification fee has been set by PSAA at £24,375. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	38,647.50
December 2016	38,647.50
March 2017	38,647.50
June 2017	38,647.50
Total	154,590.00
Grant Certification	
March 2017	24,375.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to March. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July, followed by work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016 – March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June – July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January – July 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June - December 2017	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Jon Roberts	0121 232 5410	jon.roberts@uk.gt.com
Engagement Manager	Allison Rhodes	0121 232 5285	allison.rhodes@uk.gt.com
In Charge Auditor	Lisa Morrey	0121 232 5302	lisa.morrey@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, mark.c.stocks@uk.gt.com.

Yours sincerely

Jon Roberts

Engagement Lead
For Grant Thornton UK LLP

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30th June 2016
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Annual Report 2015/16
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with the Annual Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment for 2015/16. The report is timed to support the Annual Governance Statement (AGS).

2.0 Recommendation

- 2.1 That the Committee:
- i) Note and consider the contents of the Internal Audit Annual Report 2015/16; and
 - ii) Note the Internal Audit opinion on the Council's framework of risk management, control and governance for 2015/16.

3.0 Reasons for Recommendation

- 3.1 The Public Sector Internal Audit Standards (PSIAS) require the Corporate Manager Governance and Audit to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement.
- 3.2 The Accounts and Audit Regulations 2011 require local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review is intended to provide members with a basis for determining the extent to which reliance can be placed on the internal audit opinion.

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.

8.0 Legal Implications

- 8.1 Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2011 establishes a specific responsibility for the Council to conduct a review at least once a year of the effectiveness of its system of internal control.

9.0 Risk Management

- 9.1 Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment, could result in non-compliance with the requirements of the Accounts and Audit Regulations 2011.

10.0 Background

- 10.1 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 AGS. 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.
- 10.2 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the proper practices.
- 10.3 The Head of Internal Audit provides a written report to those charged with governance timed to support the Annual Governance Statement. The primary purpose of the report, which is set out in Appendix A, is to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control i.e. the control environment.

11.0 Access to information

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

Name: Michael Todd/Josie Griffiths

Designation: Principal Auditor

Tel No: 01270 686567/685860

Email: michael.todd@cheshireeast.gov.uk
josie.griffiths@cheshireeast.gov.uk



Internal Audit Annual Report 2015-16

www.cheshireeast.gov.uk

Internal Audit

First Floor, Westfields

Cheshire East Council

Sandbach CW11 1HZ

Cheshire East Council - Internal Audit Annual Report 2015/16

1 Introduction

- 1.1 From 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note became the standards by which all Local Government Internal Audit Sections must comply.
- 1.2 As set out in the PSIAS, the Council's Corporate Manager Governance and Audit must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
- 1.3 It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification;
 - disclosure of any impairments ('in fact or appearance') or restriction in scope

- a 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 target;
- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

- 1.4 This report has been prepared by the Council's Principal Auditors due to the long term absence of the Corporate Manager Governance and Audit and the death of the Audit Manager. Support and sign off has been provided by the Director of Legal Services who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.

2 Background and Context

- 2.1 In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the medium term financial strategy.
- 2.2 Expected gross expenditure in 2015/16 by the Council was £611m, with a capital programme of £146.3m. This annual expenditure supports service delivery to over 370,000 residents, in line with our 5 stated outcomes for residents.

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- 2.3 During 2015/16 the Council continued to develop innovative solutions for service delivery including setting up 2 further Alternative Service Delivery Vehicles (ASDVs) as part of the remodelling of services to provide the best possible outcomes for the residents of Cheshire East at a competitive price.
- 2.4 The Council's 2015/16 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas.
- 2.5 In preparing, reviewing and updating the plan during the year, the following were taken into account:
- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
 - Internal Audit's own risk assessment.
 - Cheshire East Council's Three Year Plan 2014/2017.
 - Consultation with key stakeholders e.g. Corporate Leadership Board (CLB)/Management Group Board (MGB), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.
- 2.6 Staffing resource for Internal Audit has been particularly limited over the second half of 2015/16. This was initially due to the diversion of resource into the high profile review of procurement, which has now been paused due to an ongoing Police investigation. The

resource issue was then compounded by the death of the Audit Manager in January 2016.

3 Opinion on the Control Environment

- 3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 3.2 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 3.3 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.
- 3.4 The Council continues to make changes to its organisational structures and ways of working in a number of services as the scale of the Council's transformation and improvement programme is implemented. This has increased the challenges to the

Cheshire East Council - Internal Audit Annual Report 2015/16

internal control environment with changes to staffing structures and delivery models.

- 3.5 Our work has confirmed that adequate management arrangements are in place to ensure that services are being delivered and agreed savings proposals are being realised. Findings are delivered through formal audit reports and action plans and this is complimented by regular meetings with departmental management teams to provide updates on audit, internal control, risk and governance issues as well as a programme of recommendation follow ups.

Internal Audit Opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as Adequate for 2015/16.

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

- the programme of internal audit reviews - including opinion

based work undertaken during the year;

- Management's response to advice and recommendations
- the process of producing the Council's annual governance statement; and
- the Council's Annual Report on its Risk Management Arrangements

4 Summary of Audit Work 2015/16

- 4.1 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.
- 4.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Corporate Manager Governance and Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of audit activity is sufficient to allow the Corporate Manager Governance and Audit to provide an independent and objective opinion to the Council on the control environment; and

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- audit activity focuses on areas where assurance is most needed i.e. risk based coverage.
- 4.4 In preparing the risk based plan for 2015/16 Internal Audit consult with the MGB and the Audit and Governance Committee. They also consider:
- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
 - their own risk assessment;
 - the Council's Three Year Plan 2014/2017; and
 - discussion with key stakeholders including external audit, the internal audit team and also the Cheshire West and Chester internal audit team in relation to shared services.
- 4.5 The plan is broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
 - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.6 The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both MGB and the Audit and Governance Committee.
- 4.7 Interim reports on progress against the Internal Audit Plan and work carried out by the team were presented to Audit and Governance Committee in December 2015 and March 2016.
- 4.8 A summary comparison of the 2015/16 Audit Plan with actuals for the year is shown on page 5.
- 4.9 A summary of the audit work carried out during the year, from which the Annual Internal Audit Opinion is derived, and the relative outputs from that work is shown on page 7.

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Summary comparison of Audit Plan against actual 2015/16

Area of Plan		Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1366		1268		Reflects loss of Audit Manager and increased time spent on non-chargeable activity by other staff as a consequence
Less: Corporate Work		350		302		Includes operational risk management duties
Available Audit Days:		1016	100	966	100	
Corporate Governance and Risk		56	6	100	10	Reflects higher than anticipated involvement in cross-cutting activity and producing Committee reports
Anti-Fraud and Corruption	Proactive Reviews	75	7	76	8	Broadly as planned
	Reactive Investigations	30	3	16	2	Not possible to accurately predict the level of reactive work
Chief Operating Officer (COO)	Key Financial Systems	227	22	202	21	Broadly as planned
	Corporate Core & Cross Service	135	13	140	14	Broadly as planned
Strategic Commissioning	Children's Social Care & Education	78	8	110	10	Broadly as planned
	Adult's Social Care	115	11	48	5	Work anticipated to be undertaken in 2015/16 has been moved into 2016/17 in agreement with Service.
	Public Health	30	3	8	1	Additional work planned for 2016/17
	Communities	15	2	18	2	Broadly as planned
Economic Growth & Prosperity		55	6	74	8	Broadly as planned; additional work planned for 2016/17
Providing Assurance to External Organisations		75	7	63	7	Broadly as planned
Advice & Guidance		30	3	48	5	Reactive work based upon demand from services
Other Chargeable Work		95	9	63	7	Includes grant certification work; Bus Service Operators Grant, Transport Development Excellence for the LEP, various Highways grants and Family Focus Programme. Some grants require annual certification, some quarterly.

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Summary of Audit Work to support the overall opinion

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Project Health Checks	Assessment of whether the required elements to deliver projects successfully are in place and operating effectively.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Management Group Board
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Risk Management	Development of Strategy, Policy and Framework	Reports to Audit & Governance Committee
	Support and Contribution to the Corporate Assurance Group including update reports.	
Counter Fraud	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Technical Enabler Group (TEG)	Support and contribution to TEG, which supports the Executive Monitoring Board (EMB).	Gateway Progress Report detailing TEG Outcome for use by EMB.
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/ Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator

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Summary of Assurance Reports October 15 – March 16¹

Audit Report	Driver/ Background	Assurance Level	Management Response
Payroll	Key Financial System	Good	Draft report issued
NNDR Billing Reconciliation 2016/17	Key Financial System	Good	Final Report Issued
Accounts Receivable	Key Financial System	Good	Draft report issued
Council Tax 2015/16 - Award of Discounts and Exemptions	Review of counter fraud controls Key Financial System	Good	Final Report Issued
Council Tax 2016/17 Billing Reconciliation	Key Financial System	Good	Final Report Issued
Business Rates 2015/16 – Award of Discounts and Exemptions	Review of counter fraud controls Key Financial System	Good	Final Report Issued
Key Financial Systems – Accounts Payable	Key Financial System	Satisfactory	Draft report issued
Schools Consolidated report	Assurance to s151 Officer	Satisfactory	Final Report Issued
Better Care Fund Clinical Commissioning Groups	Assurance to Cheshire East Health and Wellbeing Board	Satisfactory	Final Report Issued
Foster Care Payments	Risk area identified by management	Satisfactory	Final Report Issued
Parking Enforcement	Risk area identified by management	Satisfactory	Final Report Issued
Management of Mobile Devices	Risk area identified by management	Limited	Final Report Issued
Foster Care Capacity Scheme	Risk area identified by management	Limited	Final Report Issued
HMRC Action Plan	Risk area identified by management	Limited	Final Report Issued

¹ Summary of Assurance Reports issued between April and October 2016 was reported in the Internal Audit Interim Report in December 2015

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Assurance Work

- 4.10 In accordance with best practice Internal Audit's focus is on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 4.11 The exception to this approach is with regards to the cyclical review of the Council's key financial systems which, despite being deemed to be low risk, are subject to review due to the volume of transactions processed. It is pleasing to note that the key systems reviewed were provided with either Good or Satisfactory Assurance.

Summary of reports by assurance level

Assurance Level	Audit Reports 2015/16	Audit Reports 2014/15
Good	6	2
Satisfactory	5	7
Limited	8	11
No	1	0
Total	20	20

- 4.12 These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within

a single department or location. An explanation of the various assurance levels is given in Appendix B.

- 4.13 Management has responsibility for ensuring that the agreed actions for improvement are implemented. All actions from these audits have been, or are currently being, agreed with management and progress on implementation will be monitored through agreed processes.
- 4.14 The issues arising from audit activity and the implementation of associated recommended actions have been considered as part of the 2015-16 Annual Governance Statement process.

Limited Assurance Reports

- 4.15 A brief summary of the audit reports that relate to work undertaken during quarters 3 and 4 of 2015/16 is shown on page 7. With further detail of the 'limited assurance' reports included later in this section
- 4.16 The summaries of other 'limited and no assurance' reviews were included in the interim report to this Committee in December 2015.
- 4.17 **Management of Mobile Devices** – this audit reviewed the controls in place to ensure the effective management of mobile devices. It concluded that there was no single comprehensive guidance covering the management of mobile devices from initial allocation, procurement, monitoring of use through to disposal. This lack of clarity

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around responsibilities and expectations resulted in inconsistent practices and breakdown in expected controls.

- 4.18 **Foster Care Capacity Scheme** – this audit reviewed the controls in place to ensure that Fostering Capacity loans and grants are administered appropriately thus preventing inappropriate or inaccurate awards being made.
- 4.19 The audit concluded that controls and processes were in place to administer the scheme but that there was a lack of consistency in their application.
- 4.20 **HMRC Action Plan** – the review was carried out to gain assurance that an action plan put in place by HMRC in relation to the salary sacrifice car scheme had been implemented and that improved controls in place/progress prior to the HMRC follow up review in mid-February 2016.
- 4.21 The review concluded that a great deal of work had been undertaken in reviewing and improving processes and applying controls but that further work was required prior to the follow up review. It confirmed that key controls were being applied but that it was only possible to evidence this for the second half of 2015/16.
- 4.22 In all cases a number of recommendations have been made and agreed with management. When implemented these will address the identified weaknesses and improve the control environment.

Schools

- 4.23 The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
 - the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
 - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.24 The 2015/16 Schools Audit Programme completed the 3-year cycle to carry out a full 'Keeping Your Balance' audit at all of our secondary schools.
- 4.25 In addition, thematic reviews also took place at a number of primary schools to obtain assurance around the application of the recently introduced performance related pay for teachers.
- 4.26 A total of 22 schools were visited during 2015/16, with individual reports issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment.
- 4.27 The schools subject to audit were selected using a risk assessment which took into account the following:
 - Ofsted rating;
 - Size of school (number of pupils);

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- Budget management;
- Recent audit reports;
- School buildings projects; and
- Internal knowledge provided by the School Finance Team.

4.28 Individual audit reports were issued to the Headteacher and Chair of Governors of each school along with a detailed action plan to enable the school to improve its control environment.

4.29 The work undertaken by Internal Audit provided assurance that the majority of controls relating to high risk areas are operating effectively. While some inconsistencies in the application of controls were highlighted, these are not considered to be significant issues. They have been reported to the relevant schools and also shared with all schools using our established network.

Supporting Corporate Governance

4.30 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).

4.31 Internal Audit has assisted Management in the production of the Council's AGS for 2015/16 by:

- collecting evidence for and production of the draft AGS;

- contribution to and production of Audit & Governance Committee reports on Corporate Governance;
- representation on and contribution to the Corporate Assurance Group (CAG) to advise on risk management, control, and governance issues identified through audit work; and
- Audit work in contribution to and production of CAG reports to MGB.

Risk Management

4.32 Internal Audit assisted in the Management of Risk through:

- Delivery of a risk based audit plan; and
- Representation on and contribution to the CAG Risk Sub Group - to advise on risk management, control, and governance issues identified through audit work.

4.33 Formal reports with regard to the risk management process are made throughout the year to MGB, CAG, Cabinet and the Audit and Governance Committee.

4.34 During the year the following developments in the approach to Risk Management have been progressed:

- Risk Management Policy Statement and Strategy 2015-2017 were formally approved by Cabinet in February 2016, following recommendation from the Audit and Governance Committee
- Risk Sub Group established to support CAG
- Draft Framework developed to underpin the policy and strategy

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- Risk is now a standing agenda item on the quarterly challenge sessions with Directors which include finance, risk and performance

Counter Fraud

- 4.35 Internal Audit has provided advice and guidance to both Human Resources colleagues and Service Managers to support them in the completion of a small number of investigations. Where required, action has been taken in accordance with the appropriate policies. There are no significant issues arising from this work to bring to the attention of the Committee.
- 4.36 Work continued throughout the year to ensure that the matches received as part of the National Fraud Initiative data matching exercise are being investigated by the appropriate services. Work has also begun in preparation for the 2016/17 exercise.
- 4.37 A detailed fraud and bribery risk assessment was produced by Internal Audit in conjunction with appropriate managers. This raised awareness of fraud across the Council and provided managers with the opportunity to consider whether they have appropriate controls in place to mitigate the identified risks. The outcome of the risk assessment fed into the audit planning process and a number of pieces of assurance work were completed during the year to test the effectiveness of controls detailed in the assessment.

4.38 Work continued in developing Cheshire East's wider counter fraud arrangements in light of the transfer of Housing Benefit Fraud team to the DWP in December 2015. As a result of this work, a new Anti-Fraud and Corruption Policy was approved by Audit and Governance Committee in March 2016.

4.39 The Member/Officer Fraud Sub Group continues to meet on a regular basis. This allows further detail to be provided to members on emerging fraud risks and the anti-fraud work carried out by Internal Audit. In addition, this group has agreed to commence a series of 'Cardiff Checks' on procurement transactions to provide independent challenge to the process and obtain assurance that the arrangements are operating effectively.

Technical Enabler Group (TEG)

4.40 Internal Audit has continued to play an active role on the Technical Enabler Group (TEG) which supports EMB and comprises senior officers representing key corporate enablers.

Consultancy and Advice

4.41 During the year, Internal Audit provided advice - at the specific request of management. The nature and scope of these engagements are generally aimed to improve governance, risk management and control and contribute to the overall opinion. This year advice was given on matters

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such as new arrangements including ASDVs and the application of Finance & Contract Procedure Rules.

Statutory Returns/Grant Claims

4.42 Internal Audit is sometimes required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.

4.43 During 2015/16 this has included work on the following grants which were successfully signed off and submitted to the appropriate central government department:

Family Focus	£5,600
Flood Defence Scheme	£5,000
Transport Development Excellence Grant	£42,000
Bus Service Operators Grant 2014-15	£347,865
Local Transport Plan Block Grant 2014-15	£10,956,000
Additional Highways Maintenance Grant 2014-15	£795,000
Pothole Specific Grant 2014-15	£1,862,407
Total	£14,013,872

Implementation of Audit Recommendations

4.44 Throughout 2015/16, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed

recommendations are implemented. This work is done in a number of different ways:

- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee;
- Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management; and
- Formal assurance audits – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.

Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2014/15 ²				
31%	40%	71%	25%	4%
2015/16				
31%	40%	71%	29%	0%

² Updated to Include actions issued in 2014/15 but due for implementation in 2015/16

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- 4.45 The figures detailed above show no overall change in the percentage of agreed actions implemented between 2014/15 and 2015/16. There has also been no change in the proportion of implemented actions put in place after the agreed deadline, or in the percentage of actions implemented on time.
- 4.46 As a result of the significant pressures placed upon Internal Audit during 2015/16 it has been necessary to prioritise remaining resource onto the completion of core assurance work so that a considered and evidenced annual opinion could be arrived at. This has highlighted potential improvements to the current approach to follow up.
- 4.47 Whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed.
- 4.48 In some cases the scale of change now means that the original recommendation is no longer appropriate. In these circumstances Internal Audit liaises with managers to agree a more appropriate action, or agrees that the implementation of the action is no longer appropriate. This has happened with a small number of actions arising from work carried out in 2014/15 and is reflected in the reported figures.
- 4.49 The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in

securing action and the Council's commitment and capacity to improve.

- 4.50 In order to drive further improvements in the timely implementation of recommendations, a piece of work is being planned to formally follow up all outstanding actions from both 2014/15 and 2015/16. The outcome of this review will be reported to MGB and a future meeting of this Committee. Internal Audit will also agree a programme of regular reporting on agreed audit actions to Management Group Board.
- 4.51 This will be reinforced by the escalation of common themes and emerging patterns in relation to agreed audit recommendations (high and medium rated), and failure to progress actions, to the Chief Operating Officer, Corporate Assurance Group and MGB as necessary.

Ongoing Work

- 4.52 The following audits commenced during 2014/15, with work ongoing in the first quarter of 2015/16:
- Direct Payments
 - Personal Budgets
 - Contract Management
- 4.53 A number of high profile whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. In response, the scope of an

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ongoing audit of procurement arrangements was expanded to incorporate the testing of these concerns.

- 4.54 This work commenced in the third quarter of 2015/16 and was ongoing in late December 2015 when, following the launch of an investigation by Cheshire Police regarding alleged misconduct in public office, the internal audit work was suspended. This piece of work remains on hold pending the outcome of the police investigations which are ongoing at this time. The internal audit work will be completed once the police investigation concludes.

Reliance placed on the work of other assurance bodies

- 4.55 Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.

5 Annual Governance Statement 2015/16

- 5.1 Each year the Council produces an Annual Governance Statement (AGS) that explains how it makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.
- 5.2 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. There are no outstanding significant control issues identified

through the work of Internal Audit that require disclosure in the Council's 2015/16 Annual Governance Statement.

- 5.3 The Council's assessment of its governance arrangements in 2015/16 has identified no significant governance issues. It did however identify a number of less significant issues that require attention.
- 5.4 These will be monitored by the Corporate Assurance Group and escalated, as necessary, to the Management Group Board, Audit and Governance Committee and/or Cabinet.
- 5.5 Internal Audit actively supports the Corporate Assurance Group to ensure that effective improvements and mitigating actions are implemented.

6 Internal Audit Performance

- 6.1 The Internal Audit team's performance overall is summarised below and is above target and also above the levels achieved in 2015/16 with the exception of the figures relating to the implementation of agreed recommendations (detailed in table on page 12).

Performance Indicator	2015/16 Actual	2015/16 Target	2014/15 Actual	Comments on 2015/16 Actuals
Percentage of Audits completed to user's satisfaction	96%	92%	96%	Above target.

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Performance Indicator	2015/16 Actual	2015/16 Target	2014/15 Actual	Comments on 2015/16 Actuals
Percentage of significant recommendations agreed	100%	90%	99%	Above target.
Productive Time (Chargeable Days)	77%	80%	82%	Slightly under target
Draft report produced promptly (per Client Satisfaction Form)	97%	95%	94%	Above target

- 6.2 The slight change in the productive time PI reflects an increased amount of time spent on non-chargeable workloads by the Principal Auditors in Q4 2015/16. The target for the 2016/17 PI may need to be adjusted to reflect the interim structure of the team.

7 Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 7.1 Regulation 6 of the Accounts and Audit Regulations (England) 2015 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. This review has been carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS).

- 7.2 The review has concluded that although there are areas for improvement, the internal audit service is being delivered to the required standard. This contributes to the assurances received for the AGS and will be shared with members of the Committee as part of the AGS process in September.

- 7.3 The North West Chief Audit Executives' Group has been exploring a 'peer review' process to be developed, managed and operated by the constituent authorities to address this requirement. It is anticipated that two pilot reviews will take place in the first half of 2016/17 before a wider roll out to the rest of the Group. The Audit & Governance Committee will continue to be appraised of progress in this matter.

8 Other Developments

- 8.1 For the first half of 2015/16, Internal Audit reported to the Head of Resources and Stewardship - with a continuing indirect line to the Chief Operating Officer (Section 151 Officer). Following the departure of the Head of Resources and Stewardship in September 2015, Internal Audit now reports to the Director of Legal Services.
- 8.2 Internal Audit were involved in a high profile review of procurement and the use of WARN forms during 2015/16. This diverted significant management resource from the team and remains incomplete due to an ongoing police investigation. Consideration will therefore need to be given to the resources required to conclude this work at some point in the future.

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- 8.3 During January 2016 the team suffered the tragic loss of Jon Robinson, Audit Manager who died following a heart attack. This devastated the team and it is testament to their dedication and professionalism that they were able to refocus and concentrate on delivering the audit plan during this extremely difficult period.
- 8.4 Further to these difficult situations, the Corporate Manager Governance and Audit has been absent since the beginning of April 2016 and consideration will need to be given as to how the Internal Audit team can be supported to enable the continued provision of an effective, efficient and economic audit function.

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Audit Assurance Levels

An overall opinion on the control environment will be given on completion of the audit work. This opinion relates **only** to those risks identified or systems tested.

Where the audit opinion given is either limited or no assurance, consideration will be given to including those areas in the Annual Governance Statement.

There are four possible opinions: good assurance, satisfactory assurance, limited assurance, and no assurance.

The following table explains the various assurance levels in terms of the controls in place and how testing has shown them to be operating. It also gives an indication as to the priority rating of recommendations you might expect at each assurance level, although please note this is for guidance only as the final opinion lies at the discretion of the Auditor.

Assurance Level	Explanation
Good Assurance	Controls are in place to mitigate the risks identified in the terms of Reference. Testing has shown that controls are working effectively and consistently to ensure that key risks are well managed. No high level recommendations have been made although there may be a small number at medium level. Some changes in the control environment may be beneficial to enhance performance and realise best practice.
Satisfactory Assurance	Controls are adequate to address the risks identified in the terms of reference. Testing has shown that there are some inconsistencies in the application of the controls, and attention is needed to improve the effectiveness of these controls. Recommendations will normally be no higher than medium level.
Limited Assurance	Controls are either not designed to mitigate the risks identified in the terms of reference, or testing has shown there to be significant non-application of controls. There are likely to be a number of high priority recommendations and/or a large number at the medium level. Attention is needed to improve the quality and effectiveness of the control environment in order to ensure key risks can be managed well.
No Assurance	There is an absence of controls to mitigate the risks identified in the terms of reference. The majority of recommendations made are high priority, and key risks are not being properly managed. Urgent attention is required by management to improve the control environment. This area may be considered for inclusion in the organisation's Annual Governance Statement. It may also be appropriate for this area to be included in the sections/directorate Risk Register, and for the action plan to address these fundamental weaknesses to become part of the Service Delivery Plan.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30th June 2016
Report of: Corporate Assurance Group
Title: Draft Annual Governance Statement (AGS) 2015/16
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

- 1.1 Each year, Cheshire East Council produces an Annual Governance Statement that explains how it makes decisions, manages its resources and promotes values and high standards of conduct and behaviour. It reflects activity over the 2015/16 financial year, and by the final version, will include activity up to the date of the approval of the Council's Statement Accounts.
- 1.2 The purpose of the report is for this Committee to consider the draft Annual Governance Statement 2015/16. The final version of the AGS will be brought to the Committee in September 2016
- 1.3 The draft Annual Governance Statement sets out:
- how the Council complies with its own governance arrangements;
 - how the Council monitors the effectiveness of the governance arrangements; and
 - any improvements or changes in governance arrangements proposed during the forthcoming year.

2.0 Recommendation

- 1.4 The Committee is asked to:
- 1.5 consider and comment upon the draft Annual Governance Statement 2015/16 at Appendix A; and
- 1.6 note that the final statement will be considered by this Committee at its September meeting prior to its approval and publication on the Council's website.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations (England) 2015, the final Annual Governance Statement should be approved by Members of the

Council meeting as a whole, or by a Committee by 30 September 2016. The Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.

- 3.2 In the interests of best practice and early engagement, this draft of the Annual Governance Statement is brought to the Committee for information and comment from Members.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None.

7.0 Financial Implications

- 7.1 No specific financial implications. The production of the AGS 2015/16 aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by end of September 2016).

8.0 Legal Implications

- 8.1 The Production of the Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

9.0 Risk Assessment

- 9.1 The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015. Failure to do so could result in non-compliance with the requirements of the Regulations.

10.0 Background

- 10.1 There is a strong correlation between effective governance and effective service delivery. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix A are the results of that review.

- 10.3 The Corporate Assurance Group is responsible for drafting the AGS; supporting evidence is collected and collated by Internal Audit. The draft has also been considered by the Management Group Board.
- 10.4 The review of governance arrangements in place for 2015/16 has been informed by the work of Internal Audit and senior managers and also comments made by the External Auditors and other review agencies/inspectorates. The sources of assurance include:
- Disclosure statements completed by Senior Managers, reflecting upon the application of governance processes and adequacy of controls within their areas of responsibility;
 - Senior managers have reviewed the significance of joint working arrangements in their areas of responsibility, and reported on the governance arrangements of those identified as highly significant;
 - Outcomes from external inspectorates and review agencies, including External Audit, Ofsted and the Care Quality Commission amongst others.
 - Internal Audit, through the annual and interim reports;
 - Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process; and
 - The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities.
- 10.5 In order that Members may discharge their duties, the Committee received reports, information and training throughout the period under review including:
- Internal Audit Annual Report for 2015/16, which includes the Annual Audit Opinion.
 - Interim update reports from Internal Audit and Risk Management
 - Member Officer group on Corporate Governance and the AGS
- 10.6 Through the reviews done to produce this Annual Governance Statement we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need. While there may be isolated exceptions, we can be increasingly confident that our culture, values, and ways of working reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.
- 10.7 The Chief Operating Officer, as the Council's Section 151 Officer, endorses the annual Internal Audit opinion on the Council's control environment that:

The Council's framework of risk management, control and governance is assessed as adequate for 2015/16.

- 10.8 A workshop for Members to examine the draft AGS and supporting documentation will take place prior to the September committee meeting.
- 10.9 Once finalised, the AGS will be published on the Council's website, along with the Statement of Accounts by the 30 September deadline so that the public, members, officers, partners and other stakeholders can view. Updates on progress against issues raised in the 2015/16 Statement will be brought to the Committee during 2016/17.

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

Tel No: 01270 686013

Email: peter.bates@cheshireeast.gov.uk

DRAFT

Annual Governance Statement

2015/16

TO BE COMPLETED AS PART OF FINAL STATEMENT ONLY

1. Executive Summary and Approval

- 1.1. Each year the Council produces an Annual Governance Statement that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. The Annual Governance Statement reports on:
- how the Council complies with its own governance arrangements;
 - how the Council monitors the effectiveness of the governance arrangements;
 - what improvements or changes in governance arrangements are proposed during the forthcoming year.
- 1.3. The Chief Operating Officer, as the Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor's opinion on the Council's control environment:

The Council's framework of risk management, control and governance is assessed as adequate for 2015/16.

- 1.4. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. Our assessment of the effectiveness of our governance arrangements for 2015/16 identified significant governance issues as outlined at the end of section 4. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Cllr Rachel Bailey
Leader, Cheshire East Council

Mike Suarez
Chief Executive, Cheshire East Council

2. Introduction and Background

- 2.1. Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account. Cheshire East Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within arrangements set out in its Constitution. The Constitution outlines how the Council operates, how decisions are made and what procedures need to be followed to ensure it is efficient, transparent and accountable to its residents and stakeholders.
- 2.2. Like much of the public sector the Council continues to face on-going and unprecedented financial and service delivery challenges. Difficult choices have been, and will continue to be made to remodel and redesign services that meet the needs of the Cheshire East residents.
- 2.3. However, this process is not without risks to the Council and all changes will need to be managed in a structured and co-ordinated manner. Having a focus on governance issues, including processes for review and challenge within the Council will help it to manage risk and make better decisions.
- 2.4. The Council maintains its commitment to a strategic commissioning approach. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of public sector budget reductions. At the Council meeting in February 2016, the new Leader launched a new Corporate Plan, 2016-20 which strengthened the desire to continue to Put Residents First
- 2.5. Against this background the Council has continued to improve its financial and operational performance for its residents and businesses during 2015/16. The resilience and financial health of the Council remains strong, notwithstanding the governance issues the Council recognises as arising in relation to CoSocius and the awarding of Contracts re CoreFit.
- 2.6. Like all local authorities, this Council continues to be affected by reductions in Central Government funding. Whilst the Council has discretion to increase local taxes, it has not done so now for five consecutive years as it strives to play a key part in public sector reform and developing the economy in Cheshire and the wider area with our partners.
- 2.7. Increased demand for services in key areas such as Adult Social Care, and more Children in Care, together with a change in government policy to reduce grant levels further than expected, with the assumption that Council Tax would increase to compensate, led to the Council agreeing to a 3.75% increase in Council Tax for 2016/17.
- 2.8. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is important to note that total spending per head of population is below average compared to the nearest neighbours. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East Council.
- 2.9. Through the reviews done to produce this Annual Governance Statement, we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need, for the delivery of good quality and value for money services. While there may be isolated exceptions, we can be confident that our culture, values, and ways of working will continue to reduce

the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.

3. Governance Framework

Scope of Responsibility

- 3.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Local Government Act 1999 also places a duty on all councils to secure continuous improvement and to demonstrate economy, efficiency and effectiveness.
- 3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 3.3. The Council has approved and adopted a **Code of Corporate Governance** that is consistent with the six principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework **Delivering Good Governance in Local Government** outlined below and summarised in Figure 1.
 1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.*
 2. *Members and officers working together to achieve a common purpose with clearly defined functions and roles.*
 3. *Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*

4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.*
5. *Developing the capacity and capability of members and officers to be effective.*
6. *Engaging with local people and other stakeholders to ensure robust public accountability.*

- 3.4. This statement explains how the Council:
 - has complied with the Code; and
 - meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.
- 3.5. The draft AGS will be reported to the Council's Audit & Governance Committee on 30th June 2016. The final document will be considered and approved by the Audit and Governance Committee on 29th September 2016, prior to being signed by the Leader and Chief Executive. It will then be published alongside the Statement of Accounts. It provides assurance that:
 - governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed improvements required, action is planned to ensure effective governance in future.
- 3.6. In April 2016, CIPFA published a new Governance Framework for Local Government, defining the principles which should underpin the governance of local government organisations. Within 2016/17 it will be necessary for the Council to review its existing governance arrangements, updating its local Code of Corporate Governance as necessary. The 2016/17 AGS will be prepared with regard to the updated Framework.

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



The Purpose of the Governance Framework

- 3.7. The Governance Framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 3.8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot

eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and the impact should they be realised;
- and to manage them efficiently, effectively and economically.

The 2015/16 Governance Framework

- 3.9. The Governance Framework shown in **Appendix 1**, and described in this section has been in place for the year ended 31st March 2016 and is anticipated to be in place up to the date of the approval of the AGS and Statement of Accounts on 29th September 2016.
- 3.10. Six Overview and Scrutiny Committees were introduced during the 2014/15 financial year. The Committees met in this format, aligned with strategic outcomes during 2015/16.
- 3.11. The statutory requirements for Scrutiny Committees were fulfilled as follows; the Communities Overview and Scrutiny Committee was designated for Community Safety. Health Scrutiny issues have been addressed through the Health and Adults Social Care Committee, and Flood Risk Management has been considered by the New Service Delivery Vehicles and Environment Committee. Corporate Scrutiny has an additional role in co-ordinating the overarching scrutiny work programme.
- 3.12. An annual report on the overall Scrutiny and Overview Committee work programme 2015/16 is due to be considered by Council in July 2016. To ensure that scrutiny arrangements continue to be fit for purpose, a review has been proposed for 2016/17.

3.13. The Council has a number of wholly owned companies, which operate under the holding company of Cheshire East Residents First Limited (CERF Ltd) this came into being on 1 April 2015, following operation in shadow form during 2014/15. The following have been in operation during 2015/16;

- Orbitas
- Ansa
- Transport Service Solutions Ltd.
- Civicance
- Engine of the North
- Tatton Enterprises Limited

3.14. The Skills and Growth Company was launched as the most recent company on 1st April 2016.

3.15. The companies focus on putting the residents of Cheshire East first, in providing high quality “best fit” services, whilst moving towards a more commercially focused approach that maximises value for money.

3.16. The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that these key relationships are well governed.

3.17. The Council’s formal arrangements for the management of performance, finance, programmes and contracts contribute to the upholding of key elements of governance arrangements within these providers. For example, the Council receives quarterly performance monitoring reports from its alternative service delivery vehicles (ASDVs), which are subject to the same scrutiny as in house services.

3.18. Relationships are supported by Client Managers and service specific support, such as Finance. Some support services are provided to the ASDVs by the Council at agreed rates; an arrangement which

maintains financial robustness and meets statutory reporting requirements.

3.19. The CERF board met 4 times in 2015/16. Meetings are attended by the Chairs and Directors of the Board, along with Chairs and Directors of the subsidiary companies. Presentations on the financial and operational performance of each company are received. CERF Ltd also provides the opportunity for the consideration of mutual learning points, collaboration between companies, and the further development of CERF Ltd as “critical friend”.

3.20. CERF Ltd has identified a vision to guide future developments; “To contribute to the Council’s Residents First values through encouraging and supporting the ASDVs in maintaining, improving and growing their businesses in a sustainable manner, and to deliver robust and transparent governance to ensure accountability and compliance with the established governance framework.”

3.21. From 1st May 2014 CoSocius Ltd delivered ICT and Transactional Services as a limited company jointly owned by Cheshire East Council and Cheshire West and Chester Council. In October 2015, the Shared Services Joint Committee made the recommendation to disaggregate the activities delivered by the company, a decision endorsed by the Executive arrangements of both Councils.

3.22. From 1st April 2016, the functions reverted to being delivered as in house Council Shared Services. Full business continuity was maintained during the period of transition, despite the challenging timescale.

3.23. Following the May 2015 elections, there was no overall change in the Administration of Cheshire East Council, and no changes to the Committee structure.

- 3.24. Following the resignation of Cllr Michael Jones Cllr Rachel Bailey was elected as Leader of the Council at the 25th February Council meeting.

4. Review of Effectiveness

- 4.1. The Council undertakes an annual review of its governance arrangements co-ordinated by the Corporate Assurance Group. This process is informed by a range of sources. The various sources of assurance which inform the annual review are shown in Figure 2.
- 4.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:
- **Line Management** - Assurance on individual line managers' areas of responsibility are provided by Disclosure Statements, Partnership Governance Reviews and informed by the acceptance and implementation of recommendations from internal and external audit.
 - **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive improvement, and how relevant risk management information is escalated up or cascaded down through the Council.
 - **Internal Review** - The performance of Internal Audit and the Audit and Governance Committee, along with their assessments of the performance of individual service areas, and cross function service areas informs the preparation of the Statement.
 - **External Review** - The findings and feedback from external inspectorates of the Council also provide assurance which is considered in preparing the Statement.
- 4.3. The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Management Group Board (MGB), receiving assurance

reports and updates from across the Council. MGB is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups; the Corporate Assurance Group, Procurement Board, Executive Monitoring Board, Technical Enabler Group, Information Governance Group and Risk Management Sub Group. The reporting lines between these and relevant Committees are shown in the diagram in Appendix 1.

- 4.4. Service delivery priorities are monitored through a performance management framework, discussed on a monthly basis at Management Group Board and taken to Cabinet each quarter. The content of the reports demonstrates the Council's progress in achieving against each of the five outcomes from the Council's Three Year Plan and are used to highlight examples of excellence in service delivery, as well as monitoring areas requiring improvement.
- 4.5. Project activity is governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should changes in spending requirements be identified.
- 4.6. During 2015/16 the Council's Transparency Project made significant progress in ensuring compliance with the Government's Transparency Agenda. A cross-party Working Group on Transparency was established, which oversees the Council's efforts to be open, honest and accountable to residents.
- 4.7. The Transparency Agenda is a collection of initiatives from central government, the Information Commissioner and various other groups. It is based on the premise that good open data informs good decision making – saving money and effort, connecting with residents, improving services, policy and operations, enabling better cross-service collaboration, developing local businesses and driving economic growth. The Council aims to be 'open by default' and is an Open Data 'Champion'.

- 4.8. The Protection of Freedoms Act 2013 and the Information Commissioner’s Publication Scheme require public authorities to publish certain datasets in certain formats. The Local Government Transparency Code 2015, issued by the Department for Communities and Local Government (DCLG), includes additional requirements for information to be published by Local Authorities.
- 4.9. The Council is already publishing over and above all mandatory requirements and has invested in a new data portal “Socrata” to facilitate the publication of information and ensure easy accessibility for the public. Further areas for publication are being sought, and a Freedom of Information (FoI) Disclosure Log will go live in September 2016, containing all FoI requests received and responses issued by the Council.
- 4.10. The Council’s internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council’s control environment is set out in the Internal Audit Annual Report for 2015/16 and is as follows:

Internal Audit Opinion

The Council’s framework of risk management, control and governance is assessed as adequate for 2015/16

- 4.11. The Internal Audit Annual Report for 2015/16 has been prepared by the Council’s Principal Auditors. This is due to the absence of the Corporate Manager Governance and Audit who undertakes the role of the Head of Internal Audit, since early April 2016 and the death of the Audit Manager in January 2016. Final sign off for the report and the opinion has been provided by the Director of Legal Services who has line management responsibility for Internal Audit.
- 4.12. Advice and guidance on how to proceed in these unusual circumstances has been sought from the Council’s independent

External Auditors, and from CIPFA’s Better Governance Forum advisor, who have supported this approach.

- 4.13. The Chief Operating Officer as the Council’s Section 151 Officer is responsible for ensuring the Council has a sound system of internal control, and has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor’s annual opinion on the Council’s control environment.
- 4.14. A review of the Council’s risk management arrangements was undertaken in 2014-15. The outcome of the review, with improvement actions, was reported to the Audit and Governance Committee in January 2015. A new draft risk management policy and strategy were endorsed by the Audit and Governance Committee in December 2015, and then approved by Cabinet 9 February 2016.
- 4.15. A summary of the progress of the risk management work undertaken against actions agreed in the strategy is being reported to the Audit and Governance Committee in June 2016. Progress reported includes
- Creation and meeting of a risk sub group of the Corporate Assurance Group
 - Sub group has begun to complete/review service risk registers, highlighting risks for inclusion on the corporate risk register
 - Inclusion of risk as a standing item on the Directors challenge sessions, which now include finance, risk and performance
 - Work has started on aligning corporate risks with corporate plan outcomes; an updated corporate risk register to be brought to September 2016 Audit and Governance Committee.
 - Implementation of the new policy and strategy will continue into 2016/17.

- 4.16. Monitoring of the Annual Governance Statement is undertaken by the Corporate Assurance Group, with update reports being taken to the Management Group Board and the Audit and Governance Committee.
- 4.17. A review of the Council's Constitution has been undertaken by the Constitution Member Working Group. The Council's Constitution has been in place since the Council's inception in 2009, and the proposals of the working group were designed to improve the process of decision making across a number of areas. Their proposals and amendments were considered by the Constitution Committee on 15th September 2015, before being approved at Council on 22nd October 2015.
- 4.18. Recommendations were also proposed by the Constitution Member Working Group with regard to increasing the Council's efforts to being more open. These were received and approved at the Constitution Committee on 18th February 2016, with endorsement of the creation of job descriptions for Committee Chairs by Council on 26th February. Other proposals, which will be implemented over the 2016/17 year include;
- Audio recording of Committee Meetings in order to assist with and improve the accuracy of minute taking.
 - Retrospective review by the Audit and Governance Committee agenda of all notices of waiver from Contract Procedure Rules and notice of non-adherence from March 2016
 - Reporting of all Local Government Ombudsman decisions to the Audit and Governance Committee, subject to the possible legislative requirements for some decisions to be considered at Cabinet or full Council, and with due regard to the LGO's protocols in the timing of decisions being published.
- 4.19. Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that although there areas for improvement, the service is being delivered to the required standard. Areas for further improvement are documented in an action plan, which will be shared with the Audit and Governance Committee in September 2016 as part of the review process for agreeing the Final AGS.
- 4.20. The External Audit Findings Report for 2014/15 was presented to the Audit and Governance Committee on 24th September 2015, reflecting the prepared accounts represented a true and fair view, that the accounts had been well prepared; no adjustments had impacted upon Council reserves, there were no unadjusted misstatements for Members to consider and an unqualified opinion was given in respect of both the statement of accounts and the value for money opinion.
- 4.21. The action plan set out two recommendations in respect of personal declaration forms and the on the IT control environment; this was an unprecedented low number of recommendations for the Council.
- 4.22. The Council is due to receive the opinion from its External Auditors on the Statement of Accounts and Value for Money for 2015/16, in September 2016.
- 4.23. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council.
- 4.24. In July 2015 Ofsted inspected Cheshire East Council in relation to the provision of services for children in need of help and protection, looked after children and care leavers in Cheshire East and the review of the effectiveness of the Local Safeguarding Children Board. The overall judgement from the inspection was that Cheshire East [required improvement](#) to ensure that it was providing good services in the

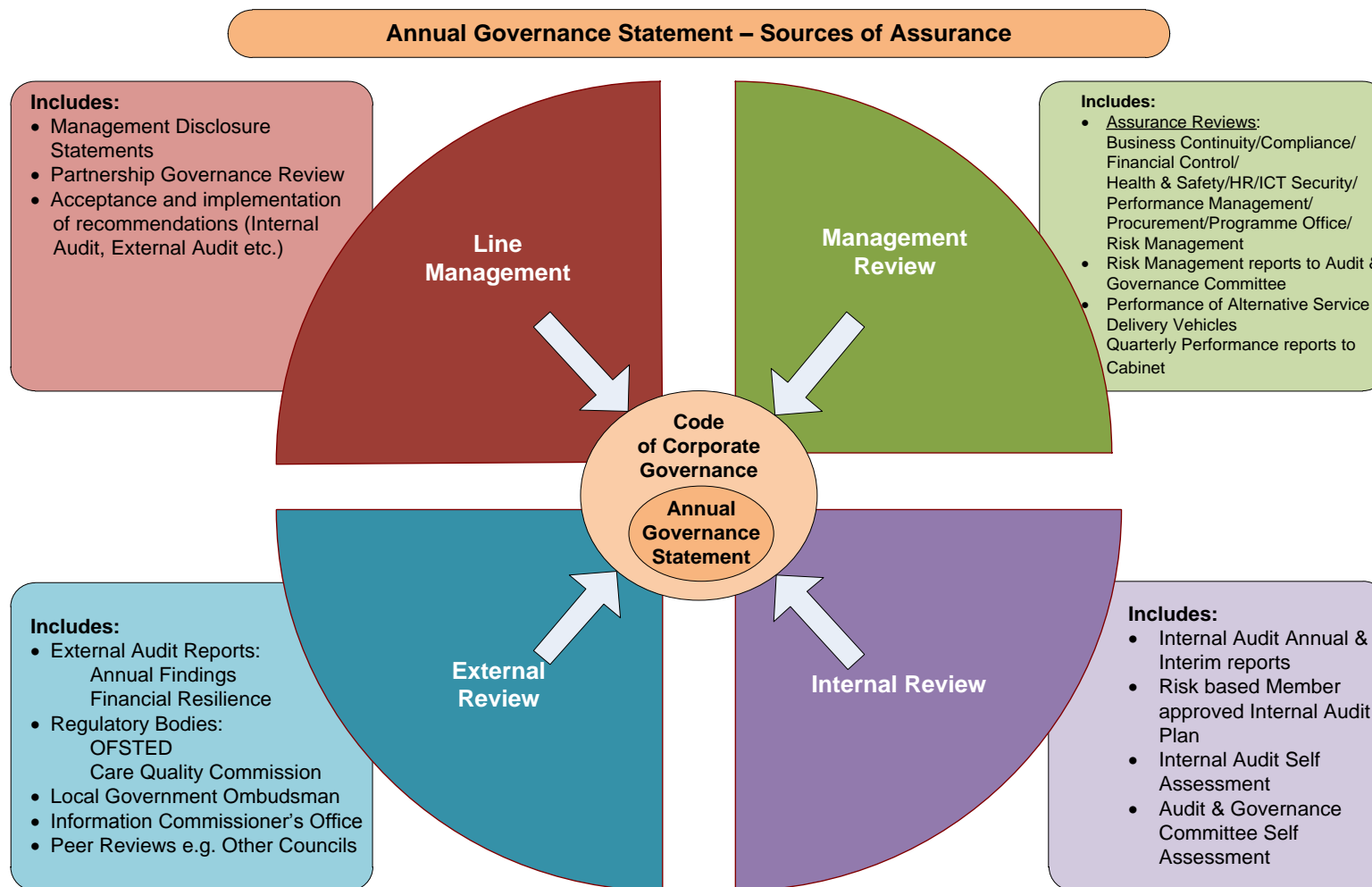
areas in question. However, the significant improvements and progress made since the previous inspection, in April 2013, where arrangements had been judged as inadequate, had been recognised and noted by the inspectorate.

- 4.25. The scale of improvement is considerable, and it should be noted that Ofsted published a new single inspection framework between the two inspections, in September 2013, which was designed to “raise the bar”; with the former “good” outcome becoming the new expected standard. Former “adequate” ratings are now judged as “requires improvement”.
- 4.26. In March 2016, Ofsted inspected the Pupil Referral Unit which was rated as “Requires Improvement”. An action plan is in place to progress the actions identified in the report, and this is subject to monitoring by the Council and the School’s Governing Body. The Unit is in the process of transferring to an Academy.
- 4.27. During 2015/16 the Care Quality Commission reviewed services provided at a Supported Living Network, a Community Support Centre and Cheshire East Short Breaks provision, all of which received “Good” assessments.
- 4.28. Where customers are unhappy with the way in which the Council has handled their complaint, they can refer the issue to the Local Government Ombudsman (LGO). The Audit and Governance Committee received a report on 2014/15 activity and trends to their September 2015 meeting. An annual letter and annual review of 2015/16 activity is due to be received from the LGO in July 2016, which will inform the preparation of the next report to Committee. As referred to in paragraph 4.8, consideration is being given as to how best to share details of individual cases with the Committee.

- 4.29. Decision notices published in 2015/16 have been reviewed as part of drawing together the Statement. In instances where the Council is found to be at fault, a plan of actions is agreed. Progress against the implementation is monitored internally by the Customer Relations Compliance Senior Officer, with issues being escalated to Senior Management and Management Group Board as necessary. The LGO will also follow up on implementation actions agreed.
- 4.30. Whilst final figures for 2015/16 from the LGO have not yet been received, internal calculations based on best available information suggest a reduction in the number of decision notices received from the previous year; 90 in 2014/15, 73 in 2015/16, and a significant reduction in the number upheld and fault found; 21 in 2014/15 and 9 in 2015/16.
- 4.31. Against the total number of complaints recorded by the Council in 2015/16 (1,565), this indicates about 5% of complaints received as being progressed to the LGO, and a decision notice being issued, and 0.5% as being progressed to the LGO and fault being found.
- 4.32. These figures will be updated on receipt of the LGO review, the Final AGS adjusted accordingly, and an update report will be taken to Audit and Governance Committee.
- 4.33. The Audit and Governance Committee plays a key role in the Council’s review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council’s risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 4.34. The Committee met on five occasions during 2015/16, and received or approved a diverse range of reports and assurances, including;
 - approval of the Internal Audit Plan and subsequent progress reports,

- the Committee’s Annual report,
 - the External Audit Plan and progress reports,
 - updates on Risk Management, Treasury Management, Corporate Governance, Counter Fraud and Whistleblowing arrangements.
 - annual reports on Customer Feedback (Complaints, Compliments and the Local Government Ombudsmen),
 - a review of Standards arrangements for dealing with Code of Conduct Complaints and an annual update on complaints received under the Code.
- 4.35. A new Chair (Cllr Lesley Smetham) and Vice Chair (Cllr David Marren) were appointed following the May 2015 elections. The Audit & Governance Committee’s draft self-assessment against the CIPFA guidance will be discussed and finalised at the June 2016 meeting.
- 4.36. In the 2015/16 draft self-assessment, the Committee has assessed itself as partially compliant against more areas than the previous assessment. Actions required to ensure the Committee increases compliance have been identified. The Committee has assessed and evaluated itself as being more effective overall than in the previous assessment.
- 4.37. The 2014/15 Annual Governance Statement was approved at the September 2015 meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The Statement was signed by the Leader of the Council and the Chief Executive and published on the Council’s website.
- 4.38. Monitoring of issues raised through the Annual Governance Statement is an ongoing process. Actions are updated on a regular basis, subject to discussion at Corporate Assurance Group meetings, and reported upon to the Audit and Governance Committee.
- 4.39. An update on progress made in managing issues raised in the 2014/15 Statement was taken to the Audit and Governance Committee meeting in December 2015. The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements.
- 4.40. **Table 1** below sets out the progress made in managing issues raised as “requiring further attention” in previous Statements, that the Council has been proactively monitoring. **Tables 2** and **3** address issues arising in 2015/16 and issues which will continue to challenge the Council’s governance arrangements.
- 4.41. A more detailed assessment against the individual principles set out in the Council’s Code of Corporate Governance is reported on in Appendix 2.

Figure 2: Where our assurance for the effectiveness of our governance arrangements comes from



4.42. The table below sets out the progress made against the issues identified previous Annual Governance Statements. This includes;

- Items included in the 2013/14 Annual Governance Statement, which were not identified as significant governance issues, but required further attention during 2014/15. (Shown with◆)
- Emerging issues identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure they did not become significant governance issues (Shown with□)
- Specific issues arising identified in the 2014/15 Annual Governance Statement as needing action and monitoring by the Council to ensure that they do not become significant governance issues (Shown with○)

4.43. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon in updates to Audit and Governance Committee, most recently in December 2015 and are not repeated here. An update on progress since the December update is provided.

4.44. Although they have been identified in previous Statements, the issues of “Council Funding” and “Health and Social Care Integration” have been included as continuing areas of concern issues for 2015/16 in **Table 3**. This is to recognise the continuing and increasing significance of these two specific areas, at national and local levels.

Table 1 – Progress against issues identified in previous Annual Governance Statements

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
◆	Business Continuity Planning <i>(Principle 1)</i> Current and tested business continuity plans are not consistently in place across all service areas.	Corporate Manager Governance and Audit	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	Heads of Service were asked to identify their business critical activities. The responses have been reviewed to ensure that there are no significant gaps. Due to continuing austerity as the Council services are reorganised over 2016, all services remain under review. Guidance documents have been developed and are being cross checked against national best practice prior to implementation across services.
◆	Local Economic Partnerships <i>(Principle 1)</i>	Director of Economic Growth	Governance arrangements need to be developed that are sufficiently “future	Accountable Body Operational Management: Council Officers from Economic Growth and Prosperity, Finance,

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.	and Prosperity and Chief Operating Officer	proofed” to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council’s relationship with it.	<p>Legal and Audit have held several working group meetings to discuss the touch points with the LEP to manage the operational aspects of its Accountable Body Function, and working relationships amongst council functions. The relationship between the Council’s Accountable Body duties and the additional duties imposed on Council when the Council is in receipt of LEP funds, particularly finance, have also been considered.</p> <p>Further Actions :</p> <ul style="list-style-type: none"> • Internal working group meetings continue to be held on a regular basis to share knowledge and learning • The Council establishes regular service review meetings with the LEP team • Protocols are put in place to differentiate between the Council as Accountable Body and the Council as the recipient of LEP funds <p>Accountable Body Strategic Governance: The Council’s COO sits on the LEP’s Performance and Investment Committee where relevant matters associated with the Accountable Role are discussed.</p> <p>Further Actions :</p> <ul style="list-style-type: none"> • The COO continues to sit on the Performance and Investment committee offering critical challenge as the Accountable Body. • Relational governance is established the AC operational group and the COO <p>Other Governance Relationships: The Council sits on various boards and committees associated with the business and functional delivery of the</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
				<p>LEP. Typically, officers with the most relevant experience and knowledge sit on technical boards and there is further political representation on the LEP board by the Leader.</p> <p>Further Actions:</p> <ul style="list-style-type: none"> MGB receives an update paper communicating governance arrangements of the LEP, which the Council participates in.
<input type="checkbox"/>	<p>Project Management (Principle 4)</p> <p>The Council has a significant number of key projects currently in implementation and planned for the future. These include</p> <ul style="list-style-type: none"> ambitious economic regeneration plans; and ongoing commissioning reviews leading to new improved service delivery arrangements. <p>The Council is aware that if any of these are not delivered as planned it could result in aspects of service failure for residents, reputational issues or increased financial pressure.</p>	Chief Operating Officer	The Council's revised project and programme management approach is now an established part of the governance framework. Through its member led Executive Monitoring Board (EMB), all major change programmes and projects are subject to scrutiny and challenge at both development and delivery stage. The Council's new scrutiny committees also have an overview and help to highlight any issues and mitigate this risk.	<p>The Executive Monitoring Board (EMB) revised and updated its Terms of Reference and membership in January 2016, putting scrutiny and oversight of ongoing project progress at the very centre of its working programme.</p> <p>An improved monthly highlight reporting process for projects was implemented in February 2016. Co-produced with the Cheshire & Warrington Local Enterprise Partnership, this gives greater visibility and control on all projects from inception through to realisation of benefits.</p> <p>The Commissioning Timeline also enables these projects to be monitored alongside other related activities (e.g. contracts, consultations, budget changes etc.) and this has been approved in principle by the Chief Executive, Deputy Chief Executive and Chief Operating Officer. This is now a central part of the monthly EMB agenda, and to support this a new 'Project Health Check' process was introduced by EMB in May 2016.</p> <p>All lessons learnt from 21 previous project closure reports have been summarised and reported to Management Group Board and informal Cabinet and this report is published on the internal intranet.</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
<input type="checkbox"/>	<p>New Service Delivery Models (Principle 3)</p> <p>The Council launched four new service delivery vehicles in April and May 2014. Service areas transferred to these new companies were initially completed on a 'lift' and 'shift' basis to maintain existing arrangements. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.</p> <p>Two new vehicles were launched in early 2015: Transport Service Solutions Ltd (1st January 2015) and Civicance (1st April 2015)</p>	Chief Operating Officer	Senior Officers to continue to work with the directors of the new companies and the Leisure Trust to clarify roles and responsibilities and to ensure that the requirements of the new commissioning plans and new contracts – and the benefit to residents – are fully achieved.	<p>With the exception of CoSocius, all of the ASDV companies returned positive outturns in their pre-audited financial statements.</p> <p>All the individual companies have Management Boards meeting regularly to discuss objectives and the performance of the companies.</p> <p>The Chairs and Managing Directors of companies regularly attend the holding company, CERF Ltd, to discuss and challenge performance, share and resolve issues, and seek ways to maximise benefit for the residents of Cheshire East.</p>
<input type="radio"/>	<p>Information Governance (Principle 3)</p> <p>Effective information governance practices are critical in an organisation like the Council which deals with significant amounts of personal and sensitive information every day. They ensure that data is handled in accordance with the relevant legislation, as well as</p>	Chief Operating Officer	<p>Continue to raise awareness about good information management practices across Service Management Teams, and general awareness amongst all Council staff and Members. Staff Induction, team meetings and personal development reviews will also be used to promote awareness and engagement.</p> <p>The adoption and validation of the Council's Information Asset Register with individual services will improve understanding of data held, as well as clarifying ownership of data</p>	<p>The SEEDS training has been launched in Children's Services and will be rolled out across the organisation on a phased basis.</p> <p>Data Protection and Freedom of Information training has been added to the corporate training agenda for this year; Six half day sessions, 3 on Data Protection and 3 on Freedom of Information are being delivered by an external training provider to officers across the Council.</p> <p>The Information Asset Register will continue to be updated and has a direct connection to the Electronic Document and</p>

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	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	<p>providing accurate and available information for decision making purposes.</p> <p>Within Cheshire East Council, the Chief Operating Officer is the Senior Information Risk Owner (SIRO), and the Corporate Manager ICT is the Deputy SIRO. The Deputy SIRO chairs the Information Governance group (formerly called the SIRO working group) which reports into the Corporate Assurance Group.</p> <p>The Information Governance Group has a programme of work which includes improving information management practices in the Council.</p> <p>Breaches of the Data Protection Act have been reported to the Information Commissioners Office (ICO) in year. The ICO findings have not resulted in fines; they have required additional actions to be undertaken, including training. These have been completed as required.</p> <p>The Council has formalised and</p>		<p>and associated roles and responsibilities.</p> <p>A training programme targeting information governance is in development and will be released across the Council in a phased manner during 2015. This aims to improve understanding of personal and corporate responsibilities in relation to data handling.</p>	<p>Records Management System (EDRMS) project adopting SharePoint as the Council's corporate electronic document records management system.</p> <p>This includes scanning all archived Children's, Adults and Highways paper records, and meeting compliance standards by adopting records retention schedules and classification metadata.</p> <p>The Data Protection Act 1998 will be replaced by the EU General Data Protection Regulation in May 2018. Work is underway to identify the key changes in the legislation and to determine what needs to be done to ensure CEC compliance with the new regulation.</p> <p>The Information Governance Group met regularly throughout 2015/16, managing a programme of proactive improvement and responding to reported data related incidents, providing updates to the SIRO, Corporate Assurance Group, and Management Group Board.</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	<p>communicated an incident breach reporting process, and recognises that there is a need to improve compliance with information governance best practices.</p> <p>There have been regular Council wide communications reminding staff of the importance of good information management practices, and these have been supported by improved internal guidance on the Council's intranet pages.</p>			

5. Governance Issues 2015/16

- 5.1. **Table 2** below sets out governance issues the Council recognises as arising during 2015/16. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need action and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Assurance Group during 2016/17, and reported on to Management Group Board and Audit and Governance Committee.
- 5.2. The Council is recognising these issues in the Statement for clarity and transparency. Whilst there has been considerable additional resource required to manage the resolution and management of both issues, neither has resulted in the Council diverting from, or failing in the delivery of its strategic priorities.
- 5.3. **Table 3** recognises two issues which will continue to test the Council, reflecting the continued pace of change and significant fiscal challenge. This will challenge everyone in the way services are delivered across the whole Council and will demand innovative and increasingly agile responses with less and less money.

Table 2 - Governance Issues arising in 2015/16

Description	Actions	Responsibility
<p>Review of Contract Awards re Core Fit</p> <p>Following concerns raised about the awarding of contracts by the Council, the Council's Internal Audit team were asked by the Chief Executive to consider the issues raised as part of an ongoing audit of the Council's procurement arrangements. This work was underway in the third quarter of 2015/16. However, in late December 2015, following the launch of a police investigation by Cheshire Constabulary regarding alleged misconduct in public office, the internal audit work was suspended, pending the outcome of the police investigations which is ongoing at this time. The internal audit work will continue once the police investigation concludes.</p>	<p>A number of improvements increasing the transparency of the Council's procurement arrangements have already been made. For example;</p> <ul style="list-style-type: none"> • Waivers and Records of Non Adherence (WARN) forms are reported individually and in full to the Audit and Governance Committee. • The Audit and Governance Committee receive reports on the quantity and reasons for Waiver's and Non Adherences (WARNs) approved. • The Council has both introduced and strengthened the operation of the Procurement Board, with membership of the Council's Portfolio Holder for Corporate Policy and Legal Services. • The Audit and Governance Committee Anti-fraud Member/Officer Sub Group carries out sample checking on 	<p>Chief Operating Officer</p>

	<p>procurement activity ahead of each meeting and reports back on any non-compliance issues; there have been none found to date.</p> <ul style="list-style-type: none"> • The Council has developed its Contracts Register to allow an earlier assessment of those services/functions that need to be re-commissioned. • The Procurement Team have reduced the threshold to £5,000 for requisitions that have to be approved, in order to prevent procurement activity being undertaken without appropriate approvals. • A £5,000 expenditure report is run monthly and sent to MGB members to scrutinise. From this a sample of transactions are selected and managers asked to provide details of budgetary controls applied. • National reporting requirements include £500 spend report which is completed monthly. Contracts awarded over £5,000 to be reported quarterly. Invitation to tenders and quotes above £5,000 to be reported quarterly. 	
<p>Closure of CoSocius Ltd and return to delivery via shared arrangements</p> <p>From 1st May 2014 to 1st April 2016, CoSocius Ltd delivered ICT and Transactional Services as a limited company jointly owned by Cheshire East Council and Cheshire West and Chester Council. During that period, the Councils took the decision to disaggregate the company and from 1st April 2016, the functions reverted to being delivered as in house Council Shared Services.</p> <p>At a meeting of the Shared Services Joint Committee, held 2nd October 2015, the current operating position of CoSocius and the future delivery model for the services it provided was discussed.</p> <p>The Committee concluded that the original objectives for creating CoSocius were no longer sufficiently relevant given the current financial and technical environments, with the added background of sustained pressure on local government finances. It would therefore be timely to reconsider the most appropriate way to continue with service deliver.</p>	<p>At the October 2015 meeting, the Shared Service Joint Committee agreed to</p> <ul style="list-style-type: none"> • CoSocius operation as a standalone and commercially focused company ceasing on 1st April 2016, with the termination of each Council's operating agreement with CoSocius with effect from 31st March 2016. • ICT and Transactional Services (HR and Finance) reverting to in-house delivered shared services, with the transfer of staff and contracts effective 1 April 2016. • Transactional Services to be delivered in a shared service hosted by Cheshire West and Chester Council. This includes HR/Payroll, Income, Payments and Finance and Reporting. • ICT Services to be delivered in a shared service hosted by 	<p>Chief Operating Officer</p>

<p>The Shared Services Joint Committee approved a decision to begin a program of work to be undertaken to establish an alternative delivery model for the services being provided by CoSocius. This resulted in the return of those services to in-house provision through shared service arrangements.</p>	<p>Cheshire East Council. This includes Core ICT, Application Support and ICT Projects.</p> <p>The Committee agreed an initial 6 month transition period, during which time both shared services will progress actions identified to address financial pressures and restructure in order to achieve the agreed Target Operating Models for service delivery.</p> <p>Agreement was also given to a subsequent period for the delivery model, of up to 18 months, during which time consideration needs to be given to agreeing the most appropriate arrangements for service delivery.</p> <p>The reversion of services from CoSocius back to the two Councils occurred on time and with no significant disruption to service delivery. Progress on the transfer and operation of services will be reported to the Joint Officers Board and the Shared Services Joint Committee during 2016-17.</p>	
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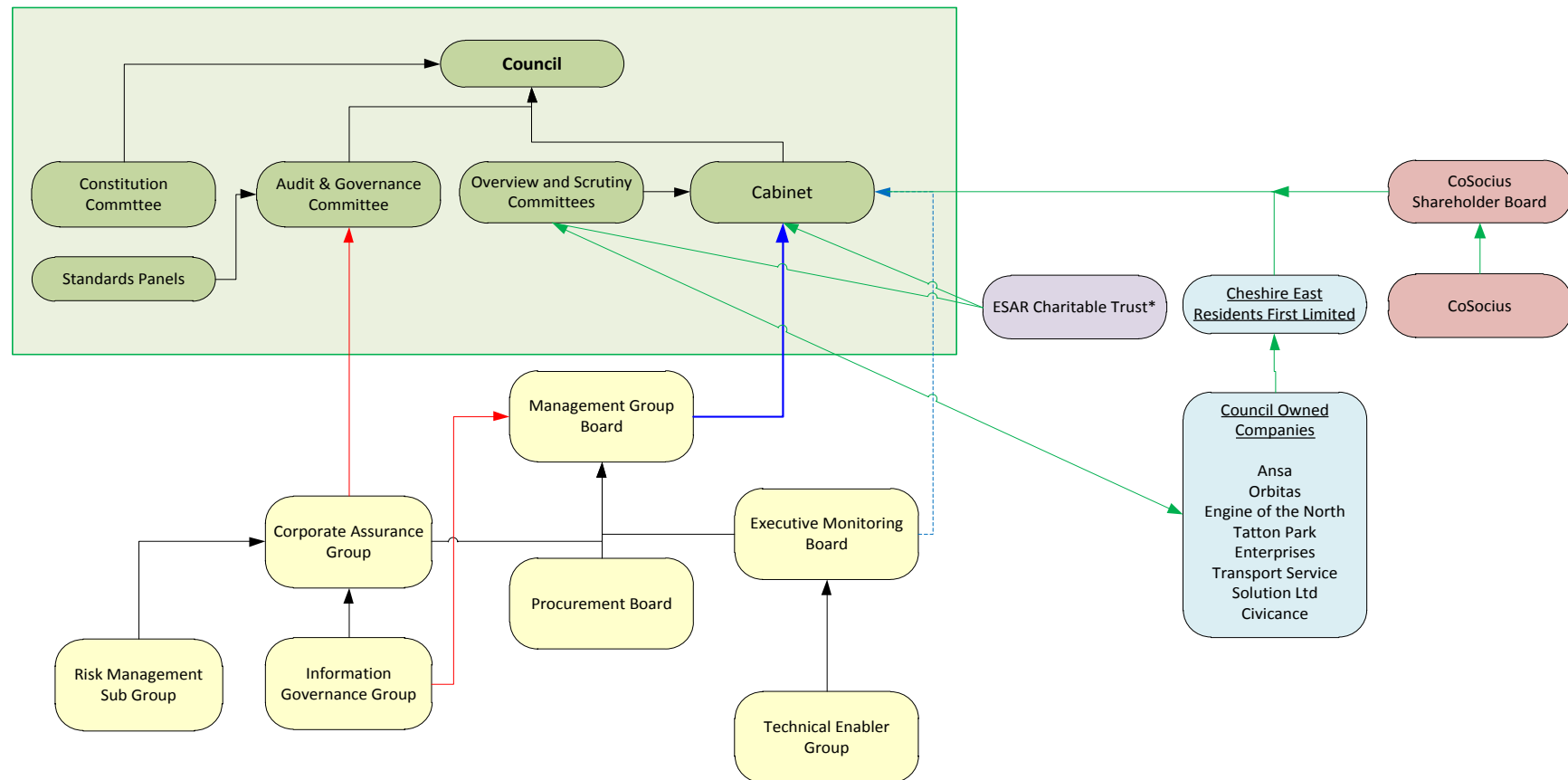
Table 3 - Continuing Governance Issues

Description	Actions	Responsibility
<p>Council Funding</p> <p>On-going and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.</p>	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</p> <p>Senior accountants are fully engaging, with government and professional bodies (such as CIPFA, SCT, RSN & UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being</p>	<p>Chief Operating Officer</p>

	<p>discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligned Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework.</p>	
<p>Health and Social Care Integration</p> <p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the three acute providers in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with one of the initial aims of the work programme being to reduce non-elective admissions to hospitals locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators</p>	<p>The BCF Governance Group, overseen by Cheshire East's Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>As at early June 16, feedback is expected from NHS England and the Association of Directors of Social Services (ADASS) regarding Cheshire East's plans for BCF in 2016/17. The expected status is "approved with support".</p> <p>At the time of submission, there are were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> • Final agreement for expenditure plans • Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group • Assurance that DToC is a standing item on Systems Resilience Group agendas. 	<p>Director of Adult's Social Care and Independent Living</p>

	<p>These areas will have to be addressed by the end of June 2016 to avoid escalation to national level of assurance.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key “medium” ranked recommendations;</p> <ul style="list-style-type: none">• Failure to identify and effectively manage BCF risks• CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated.• Poor Information Governance <p>These are being addressed and are on the BCF risk register.</p>	
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Appendix 1: The Governance Framework in operation during 2015/16



Key:

- Black lines denote normal Committee reporting lines
- Blue lines denote groups reporting to Cabinet
- Red lines denote groups reporting to Audit and Governance Committee
- Green lines denote the reporting for ASDV arrangements
- Dashed blue line denotes individual scheme reports to Cabinet via the PMO process

* Relationship between ESAR and the Council managed via the Contract.

Appendix 2 – The Council’s more detailed assessment against the six principles of good governance from the Council’s Code of Corporate Governance. Hyperlinks are provided for convenience, however web content can change without notice.

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.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Continuing to develop and promote the Council’s purpose and long term vision, set out in the Sustainable Communities Strategy “Ambition for All” 2012/25, the Corporate Plan, 2016/2020, the updated Medium Term Financial Strategy 2016/19 (MTFS), the Business Planning Process 2016/19 and the Leader’s Announcements to Council during 2015/16.	Corporate Plan 2016/20, Medium Term Financial Strategy 2016/19 and Budget 2016/17 (Cabinet, 9th February 2016 , Council, 25th February 2016) Business Planning Process 2016/19 (Corporate Overview and Scrutiny Committee 9 July 2015) Leader’s Announcements at Council (Council, 27 May 2015 , 23 July 2015 , 22 October 2015 , 17 December 2015 , 25 February 2016)
We have reviewed and restated the Council’s priorities for the local area and have reviewed, and continue to develop, the Council’s governance arrangements as we make the transition to operating as a strategic commissioning Council and delivering services in different ways.	Corporate Plan 2016/20 MTFS 2016/19 (Council, 25th February 2016) Skills and Growth Company – ASDV (Cabinet, 21 July 2015)
Service delivery priorities are monitored through a performance management framework, and are discussed on a monthly basis at Management Group Board and taken to Cabinet each quarter. The content of the reports demonstrates the Council’s progress in achieving against each of the five outcomes from the Council’s Three Year Plan and are used to highlight examples of excellence in service delivery, as well as monitoring areas requiring improvement. Project activity is governed through the Executive Monitoring Board. The Council’s Finance Procedure Rules will always apply should changes in spending requirements be identified.	First Quarter (Cabinet, 29 September 2015) Mid-Year Review of Performance (Cabinet, 10 November 2015) Third Quarter Review of Performance (Cabinet, 9 February 2016) Final Outturn Review of Performance (Due at Cabinet, July 2016)
The Council provided an updated “Value for Money” document for 2015. This was shared at all Members Finance briefings in December 2015 and February 2016 and are available on the Council’s website. The purpose of this document is to provide evidence and analysis for interested stakeholders, increasing transparency around the Council’s financial position.	Value for Money 2015

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.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>CIPFA's <u>Prudential Code for Capital Finance in Local Authorities</u> and their <u>Treasury Management Code of Practice</u> have been adopted in full. The Council receives specialist support from <u>Arlingclose</u> on all aspects of borrowing, lending and investments.</p> <p>An annual report on the Treasury Management Strategy for 2016/17, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2016/19, required under Part 1 of the Local Government Act 2003 was approved by Audit and Governance Committee in December 2016.</p>	<p>Treasury Management Strategy and MRP Statement 2016/17</p>
<p>Various parts of the Council also use other forms of social media, including Twitter, Facebook, YouTube and Flickr to engage and inform communities and stakeholders. The Communications team also provide related media releases, where appropriate.</p>	<p>The Council has 40 Twitter accounts, the most followed of which is @CheshireEast with around 11,100 followers. Other popular accounts are @CECRangers, @FISCheshireEast and @CECLibraries.</p>
<p>The "My Cheshire East" phone application launched in March 2015. This provides residents access to localised information, news, an interactive map and the ability to "Report it".</p> <p>The app has been downloaded 2,257 times so far.</p>	<p>My Cheshire East app</p>
<p>In January 2016, Cheshire East's Health and Wellbeing Board supported a recommendation to merge the Health and Wellbeing Strategy with the Sustainable Community Strategy. Both required refreshing, and merging offers the opportunity to have one key strategic focus for the future. A combined strategy offers the means of establishing a more effective "golden thread" through the Authority and signed up partners.</p>	<p>Sustainable Community Strategy and Health and Wellbeing Strategy Refresh (Cheshire East Health and Wellbeing Board 26 January 2016)</p>

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>Whilst there was no change in overall administration of the Council following the May 2015 elections, there were a number of changes in Members elected to the Council. Members have been supported with induction by the Member Development Officers and a Member Training Programme is in development to reflect the needs of the current elected members.</p>	<p>Cheshire East Councillors Cheshire East Council – Political Representation Cheshire East Council Election May 2015 - Results</p>

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
A new Leader was appointed at the February 2016 Council meeting, along with the election of a Mayor and Deputy Mayor for the 2016/17 Civic Year. As with previous years, the political representation of Committees, and the individual Members appointed to them were agreed at the Annual Meeting of the Council.	Appointment of Leader, Mayor and Deputy Mayor (Council, 25 February 2016) Political Representation on Committees Appointment of Members to Committees (Annual Council, 11 May 2016)
The Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Management Group Board (MGB), receiving assurance reports and updates from across the Council. MGB is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups; the Corporate Assurance Group, Procurement Board, Executive Monitoring Board, Technical Enabler Group, Information Governance Group and Risk Management Sub Group.	Scheme of Delegation to Senior Officers - Constitution Corporate Leadership Structure
The Chief Operating Officer (COO) (Section 151 Officer), reports directly to the Chief Executive and is a member of the Corporate Leadership Board. The COO is responsible to the Council 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. The governance arrangements for the Council's Chief Operating Officer comply with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) .	Corporate Leadership Structure Officers of the Council – Constitution Scheme of Delegation to Senior Officers - Constitution Statutory and Proper Officer Provisions - Constitution
The Head of Legal Services and Monitoring Officer is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Constitution Committee (Sept 2015) recommended to Council that the Head of Legal Services and Monitoring Officer be give delegated authority, in consultation with the Chair and Vice Chair of the Constitution Committee to make such changes to the Constitution as deemed necessary and which are in the Council's interests and not major in nature; routine revisions, providing appropriate clarity, typographical and other drafting errors, reflecting new legislation and changes to structures and titles for example. This recommendation was approved by Council in October2015.	Changes to the Council's Constitution (Constitution Committee, 17 September 2015, Council, 22 October 2015)

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The Business Planning Process has been undertaken from May 2015 to February 2016. This has included consultation with statutory groups, including the Schools Forum and businesses, as well as other stakeholders. This included consultation with Trade Unions, Town and Parish Councils, and local Chambers of Commerce. The process culminated in the Medium Term Financial Strategy 2016/19 report, presented to Cabinet in February 2016.	Business Planning Process 2016/19 (Corporate Overview and Scrutiny Committee 9 July 2015) Medium Term Financial Strategy 2016/19 and Budget 2016/17 (Cabinet 9 February 2016, Council, 25th February 2016)
The Medium Term Financial Strategy clearly identifies how resources will be matched against the delivery of priorities established in the Council’s Three Year Plan. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council’s Reserves Strategy.	Medium Term Financial Strategy 2016/19 (Cabinet, 9 February 2016) (Council, 25 February 2016)
Quarterly performance reports to Cabinet during 2015/16 covered a range of financial and non-financial performance indicators and activity updates, supporting the achievement of the Council’s five Residents First Outcomes, agreed in the current Three Year plan agreed February 2013.	First Quarter (Cabinet, 29 September 2015) Mid-Year Review of Performance (Cabinet, 10 November 2015) Third Quarter Review of Performance (Cabinet, 9 February 2016) Final Outturn Review of Performance (Due at Cabinet, July 2016)
The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.	Member/Officer Relations Protocol in Cheshire East Constitution
The Council publishes a Pay Policy Statement by 31 st March on an annual basis. This provides transparency with regard to the Council’s approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2015/16 agreed by Council on Council 26 th February 2015. The 2016/17 Statement, recommended to Council from Staffing Committee includes a number of changes from the previous statement; the introduction of a “Living Wage” ,inclusive salaries for a small number of the most senior managers and Chief Officer Remuneration.	Pay Policy Statement for 2015/16 (Council 26 th February 2015) Pay Policy Statement 2016/17 (Staffing Committee Council 25 February 2016)
During 2015/16, Cheshire East Council has worked closely with a variety of other delivery partners and stakeholders such as the Cheshire and Warrington Local Enterprise Partnership (LEP), Council controlled companies, and Health partners.	Partnership Governance Reviews Cheshire and Warrington Local Enterprise Partnership Everybody Leisure Trust CoSocius

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Arrangements for collaborative working are addressed in the Council's Constitution within the Finance Procedure Rules. The creation or participation in a separate legal entity, or acting as Accountable Body requires the prior agreement of the Chief Operating Officer and the Director of Legal Services.	Constitution – Finance Procedure Rules
Shared Service Arrangements are monitored and managed by the Shared Service Joint Committee and Joint Officer Board Cheshire East Residents First oversees the performance of the alternative service delivery vehicles.	Committees

Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The standards of conduct and personal behaviour expected of and between members, staff, associated partners and the community are defined and communicated through codes of conduct and protocols. Minor amendments to the Code of Conduct for Employees were agreed at Constitution Committee in February 2016, to clarify requirements for staff in relation to the declaration of interests.	Members Code of Conduct and Officer Code of Conduct are included in the Council's Constitution . Code of Conduct for Employees (Constitution Committee, 18 February 2016)
The Council uses the Code of Conduct, the Anti-Fraud and Corruption Policy and Whistleblowing Policy to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. Audit and Governance Committee received an update on anti-fraud and corruption activity at the Council and approved a revised Anti-Fraud and Corruption Policy, which had been updated to reflect the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.	Code of Conduct Whistleblowing Policy Anti-Fraud and Corruption Policy (Audit and Governance Committee, 17 March 2016)
Internal Audit completed a review of 'Core Support Functions' to support this AGS. This review is an important element in ensuring the Council's organisational values are put into	There are no significant governance issues arising from this review.

Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
practice. It includes a high level assessment of the extent to which agreed policies are implemented. It will also help share best practice, ensure compliance and provide assurance and oversight to the Management Group Board.	The continuation of work to consolidate guidance for Business Continuity Planning has been recognised earlier in the Statement.
The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. The Committee received the Standards Panels and Sub Committee Update Report on 17th March 2016. This covered all complaints received under the Code from 1 September 2015 to end of February 2016. The report noted that under the revised procedure for dealing with standards complaints, adopted in July 2014, there had been an increase in the speed with which complaints were dealt with.	Members Code of Conduct: Standards Report (Audit and Governance Committee, March 2016)
The Council's performance in its obligations under the Data Protection Act (1988), and the freedom of Information Act (2000) including the Environmental Information Regulations, during 2015/16 was reported upon to the March 2016 Audit and Governance Committee.	Compliance with Data Protection Act 188, Freedom of Information Act (2000) and Environmental Information Regulations (2004) (Audit and Governance Committee, March 2016)

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Project activity is governed through the Executive Monitoring Board and incorporated within the Constitution; Finance Procedure Rules. The Council's Finance Procedure Rules will always apply should changes in spending requirements be identified.	Finance Procedure Rules - Constitution

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>The agendas, papers and minutes of Committee meetings form the main mechanism for documenting evidence for decisions and recording the criteria, rationale and considerations on which key decisions are based. These are published on the Council’s website.</p> <p>Declarations of interests made by Officers and Members are routinely recorded in the minutes of Committee meetings.</p> <p>Decision makers 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.</p> <p>Financial and legal implications of all key decisions are signed off by relevant senior officers.</p>	<p>Cheshire East Council – Agendas, Minutes and Reports</p>
<p>The Council assessed the effectiveness of its Internal Audit function by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS). The review completed by the Principal Auditors concluded that, although there are areas for improvement, (included in a separate action plan); the internal audit service is being delivered to the required standard.</p>	<p>Internal Audit Annual Report 2015/16 (Audit and Governance Committee, 30 June 2016)</p>
<p>The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests.</p> <p>Minor amendments to the Code of Conduct for Employees were agreed at Constitution Committee in February 2016, to clarify requirements for staff in relation to the declaration of interests.</p>	<p>Individual Member Register of Interests are published on the Council’s website</p> <p>Code of Conduct for Employees (Constitution Committee, 18 February 2016)</p>
<p>The draft Audit & Governance Committee’s self-assessment against the CIPFA guidance will be reported back to the Committee in June 2016.</p> <p>The Committee assessed as compliant or partially compliant against all area apart from one, which relates to an outstanding action from the 2014/15 assessment. In comparison to the previous assessment, there Committee has assessed itself as being more effective overall. Actions required to ensure the Committee becomes fully compliant are identified in the June 2016 Report</p>	<p>Audit & Governance Committee Self-Assessment (Audit and Governance Committee, 30 June 2016)</p>
<p>The COO attends all MGB, Cabinet and Council meetings, clears all Committee decision papers with material financial implications and has direct access to the Audit and Governance Committee and External Audit. The COO meets regularly with the relevant Portfolio holders.</p>	<p>Cheshire East Council – Agendas, Minutes and Reports</p>
<p>Reserves strategy and forecasts are clearly set out in the Medium Term Financial Strategy (Annex 13) and are monitored through the quarterly Finance updates. Opportunities for strengthening the reserves position are routinely considered as part of the account closure</p>	<p>Medium Term Financial Strategy 2016/19 (Council, 25 February 2016)</p>

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
exercise.	
<p>The Council's Whistleblowing Policy is available on its website and intranet site together with an email address. An article in the Council's internal newsletter was placed to raise awareness during 2015/16.</p> <p>A report on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received in 2015/16 will be reported to the June 2016 Audit and Governance Committee. The Policy remains compliant with best practice. There was a significant increase in the number of referrals received during 2015/16, due to several referrals relating to high profile procurement issues. The number of other referrals is consistent with those received in previous years.</p>	<p>Whistleblowing – Council Website</p> <p>Whistleblowing Arrangements (Audit and Governance Committee, 30 June 2016)</p>
<p>We annually report on our compliance with the Regulation of Investigatory Powers (RIPA) Act 2000 to the Audit & Governance Committee. The report explains the use of the legislation and the arrangements in place to ensure the Council is compliant.</p> <p>The Council has been re-inspected during May 2016; the outcome of the inspection is due shortly. The Statement will be updated to reflect the outcome and any actions required.</p>	<p>Compliance with the Regulation of Investigatory Powers Act (2000) (RIPA) (Audit and Governance Committee, 19 March 2016)</p>

Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The COO is a qualified CCAB accountant, with extensive local government experience. The COO is supported by a Finance team which includes a high number of qualified/part qualified accountants and qualified/part qualified accounting technicians. Cheshire East is accredited as training employer by CIPFA (Platinum Status) as well as the AAT and ACCA.	
The Constitution recognises the Council's duty to provide the Monitoring Officer and Section 151 Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed in their statutory roles.	Chapter 11 - Constitution
<p>All staff with access use the Oracle Performance Development module to carry out the performance review process. This provides an assessment against the achievement of objectives, corporate behaviours, and an overall performance rating for the year. It also informs skill development requirements.</p> <p>The 'Towards Excellence' Training Programme is a collection of training courses and</p>	Performance Development Plans

Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
development programmes offered to all staff in the Council. Opportunities are also available to participate in training and development courses for qualifications from “The Management Institute of Excellence”	
29 new Members were elected to Cheshire East Council in May 2015. An induction programme was delivered for all new members which included a welcome address by the Chief Executive and covered the Member Code of Conduct, an introduction to Local Government finance, decision making processes and governance roles. In addition all new and returning Members were offered a programme of events which covered the role and responsibilities of the Council’s Committees; this training being mandatory for Members appointed to the Licensing, Planning, Audit and Governance Committees and the Appeals Panel. Throughout the rest of the year, the Member Development team applied a fluid and responsive approach to other Member training requirements, as a full review of the Member Training offer was being undertaken. The outcome of this review should be agreed by September 2016, and is expected to be implemented via a blended learning approach of e-learning material and direct Member briefing.	Cheshire East Councillors
The roles and responsibilities of Councillors in monitoring financial performance are outlined in the Constitution, the Scheme of Delegation and in Committee Terms of Reference.	Constitution Committee Terms of Reference.
The Council has an established apprenticeship scheme allowing young people to obtain varied work experience whilst training for qualifications. The Council employs apprentices working across the Council and it’s arms-length operating companies. Graduate internship opportunities are also offered by the Council, supported by the Council’s Workforce Development Team.	CEC Apprenticeships Working for Cheshire East

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The “Media Hub” part of the Council’s website draws together the latest news and information about the Council, and also provides information on ways of communicating with the Council. It includes links to press releases and the Council’s social media channels.	CEC – Media Hub
Six Overview and Scrutiny Committees operated during 2015/16, with the Corporate	Corporate Overview and Scrutiny Committee

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>Overview and Scrutiny Committee, made up of the Chair and Vice Chair of the 5 Committee, leading on coordinating the overarching work programme. The statutory responsibilities of the Scrutiny Committees have all been fulfilled during 2015/16.</p> <p>An annual scrutiny report for 2015/16 is in production and due to be reported to Council in July 2016. The Leader announced a review of Overview and Scrutiny at the 25 February 2016 Council</p>	<p>Jobs, Regeneration and Assets Overview and Scrutiny Committee</p> <p>New Delivery Vehicles and Environment Overview and Scrutiny Committee</p> <p>Health and Adults Social Care Overview and Scrutiny Committee</p> <p>Children and Families Overview and Scrutiny Committee;</p> <p>and</p> <p>Communities Overview and Scrutiny Committee</p>
<p>The Council is committed to openness and transparency. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. Cabinet Meetings continue to be broadcast live on the internet, and are available online to be watched after the event.</p>	<p>Webcast Cabinet Meetings.</p>
<p>Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as required, including statutory consultation processes for areas such as Planning and Licensing.</p> <p>The Council also has a citizen’s consultation panel; “Influence Cheshire East”. The panel is comprised of invited participants who are asked to complete surveys which provide valuable and constructive feedback. By working on an “invitation” basis, the membership is designed to reflect the profile of the borough.</p> <p>In addition, the Council has a “Digital Influence Panel” which is based entirely online and open to any resident of Cheshire East. Members of this panel area also asked to complete consultations and surveys, in many cases these will be the same as those sent to the Influence Cheshire East panel members.</p>	<p>Consultations in Cheshire</p> <p>Licensing</p> <p>Planning</p> <p>Influence Cheshire East</p> <p>Digital Influence Panel</p>
<p>Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings.</p> <p>Information is cascaded from the Management Group Board through Department Management Team meetings to Team/Unit meetings as necessary.</p> <p>Opportunities for staff to provide feedback exist through line management supervision, team meetings, and an online “Staff Suggestion Box”</p>	<p>CEtranet – “Team Voice”</p>

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	30 th June 2016
Report of:	Chief Operating Officer
Subject/Title:	Draft Pre-Audit Statement of Accounts 2015/16
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.0 The Statements of Accounts for the period 2015/16 present a positive review of the Council's financial standing. The Council focuses on achieving outcomes that put the needs of residents and businesses first and is clearly doing this from an improving financial position despite targeted reductions in expenditure.
- 1.1 This is the second year that 'Group' financial statements have been prepared. Cheshire East Borough Council represents the largest entity within the Cheshire East Group but the financial statements present a mixture of wholly and jointly owned subsidiary private interests.
- 1.2 In 2015/16 the Group generated a surplus of £0.5m (0.2%) against its approved revenue budget of £246.6m. This is the fourth consecutive year that a favourable outturn position has been reported for the Council. In addition to its strong financial performance there have been operational highlights, throughout 2015/16, that include:
- Cheshire East has again been recognised as one of the best places to live in the Northwest and named the happiest place to live in England, based on a survey of more than 300,000 people across Britain by the Office for National Statistics.
 - Recycling rates continue to be in the top 10% of all local authorities and well above the national target of 50%.
 - Clean for The Queen saw 100 litter picking packs purchased to support the National clean-up campaign. Almost 2000 people were involved which has generated ongoing interest in community activity and litter picking in local areas.
 - The governance structure for the new University Technical College (UTC) continues to be strengthened ahead of the planned opening in September 2016. Work on the Crewe site continues to progress with the intention to open the UTC within the previous Oakley Centre whilst the other buildings are demolished and rebuilt.
 - The Strategic Highways Infrastructure Team continues to make strong progress on the Council's major transport schemes by planning, developing and delivering major highway and transport infrastructure improvements, in conjunction with partner organisations.

- Connecting Cheshire has one of the highest and fastest take-ups in the UK with fibre broadband being provided to more than 85,000 homes and businesses across Cheshire, Halton & Warrington.
- 92.7% of schools were rated as good or outstanding in Cheshire East, an improvement from 91.2% the previous year.
- The Fairerpower scheme has secured over 5,000 customers in its first full year, realising savings of £1.5m for residents within the Borough.

1.3 Information on the 2015/16 pre-audit statement of accounts, for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council, will be presented to the committee. This step is taken to provide committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts in September 2016.

1.4 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2016, alongside its draft Annual Governance Statement, by the 30th June 2016 deadline.

2.0 Recommendations

2.1 Members' note the summarised position of the accounts for year ended 31st March 2016 based on the presentation provided at this meeting.

2.2 Members note the important dates in relation to the approval process for the statement of accounts, specifically the 30th June publication of the draft accounts and Annual Governance Statement.

3.0 Reasons for Recommendations

3.1 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30th September 2016.

3.2 To support this responsibility the Committee is provided with an overview of the key issues within the draft Statement of Accounts before the external audit work is completed. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

3.3 The deadline for reporting the Statement of Accounts is changing from 2017/18 when the deadline for producing the draft will be brought forward to 31st May and for the final audited version 31st July. Preparations are already underway to manage this earlier deadline.

1.0 Wards Affected

1.0 Not applicable.

1.1 Local Ward Members

1.2 Not applicable.

1.3 Policy Implications

1.4 None.

1.5 Financial Implications

1.6 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. As the statements are subject to external audit and opinion they present a key measurement of the overall financial performance of the authority. The statement of accounts is an important part of the Council's financial governance and stewardship arrangements.

1.7 Legal Implications

1.8 The regulations arising out of the Local Audit & Accountability Act 2014 (Accounts and Audit Regulations 2015) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).

1.9 Further supporting guidance contained in the Service Reporting Code of Practice for Local Authorities (Sercop) and Local Authority Accounting Panel (LAAP) bulletins is applied as relevant. The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

1.10 The Audited statements are to be approved by committee and published by the 30th September 2016.

1.11 Risk Management

1.12 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Council's reputation.

1.13 Background

1.14 2015/16 was the final year of the Council's 3 Year Plan. The five outcomes contained within the plan are being achieved through a

selection of significant measures developed by the Council to highlight progress. The narrative report, within the statement of accounts, provides evidence of how performance measures demonstrate achievement of the outcomes by the Cheshire East Group of Companies.

- 1.15 The medium term financial strategy, published in February 2016, illustrates the scale of the continuing challenge in balancing public expenditure requirements. The Cheshire East Group is well placed to maintain strong services that meet the needs of local residents. Investment in growing the local domestic and non-domestic tax base may ultimately replace the need for government funding (in all areas but education), and the opportunities to trade in the open market are now well established.

Headline messages from the statement of accounts

- 1.16 General and Earmarked reserves have increased in 2015/16 to £74.3m. This includes General Reserves which closed at £13.0m, 5.3% of the net budget. The overall level of reserves is in line with the Council's strategy and is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term.
- 1.17 The Group demonstrates a healthy Balance Sheet, with net assets of £363.1m, an increase of £148.7m (69.4%). The increase is mainly as a result of a decrease in the pension liability of £126.2m.
- 1.18 The Council continues to improve its performance in producing the Statement of Accounts; with the single-entity statements being available for audit at the earlier start time of 6th June 2016. The Chief Operating Officer, (Section 151), has produced a pre-audit set of accounts that provides a true and fair view of the Council's financial position. He expects to receive a clean (unqualified) audit opinion from the external auditors.
- 1.19 The Statement of Accounts for 2015/16 is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.20 In 2015/16 the main change in the Code's requirements which affect the Cheshire East Group of companies related to the introduction of IFRS 13 Fair Value Measurement. This introduced a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property and therefore this standard has not had a material impact on the Statement of Accounts.
- 1.21 The Group statements consolidate the accounts of: Cheshire East Council; five wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN, Civicance); one joint venture (Cosocius). The accounts of a fifth wholly owned subsidiary (TPE), and one associate organisation (CWLEP), although part of the Group, are not consolidated on the grounds of

materiality. This mirrors treatment of these organisations in 2014/15. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval in September 2016.

- 1.22 The objective of the Statement of Accounts is to provide information about the organisation's financial performance that is useful to a wide range of interested parties. Its purpose is to give readers and stakeholders clear information about the Group's consolidated finances and to answer questions such as: what did services cost; where the money came from; what are the significant events this year; and what is the Group's net worth?
- 1.23 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. But the Chief Operating Officer is providing the committee with an early indication of the key messages from these accounts before he signs them for publication. The Pre-Audit Statement of accounts will be published on the 30th June 2016 and the certified Statement of Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.
- 1.24 **Next steps**
- 1.25 The Council's external auditors are Grant Thornton. Their formal audit is already underway is expected to be completed by the end of July.
- 1.26 The Committee will receive independent reports from the auditors on 30th September 2016 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will also be presented to this Committee for approval on 30th September in time for publication by the deadline of 30th September 2016.

1.27 Access to Information

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

Name: Alex Thompson
Designation: Corporate Manager – Strategy & Reporting (Deputy S.151 Officer)
Tel No: (01270) 685876
Email: alex.thompson@cheshireeast.gov.uk

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting:	30th June 2016
Report of:	Director of Legal Services
Title:	Whistleblowing Update
Portfolio Holder:	Councillor Paul Findlow

1.0 Report Summary

- 1.1 To provide the Committee with an update on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received during 2015/16.

2.0 Recommendations

- 2.1 That the Committee note the report and endorse the ongoing review of the Council's whistleblowing arrangements.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee is responsible for overseeing the Council's Whistleblowing arrangements and, therefore, needs to be provided with periodic updates on the effectiveness of these arrangements.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications

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

can be great in terms of fines, compensation or higher insurance premiums.

8.0 Legal Implications

8.1 The legislative framework for whistleblowing in England is contained in the Employment Rights Act 1996, as amended the Public Interest Disclosure Act 1998 (PIDA), and the Enterprise and Regulatory Reform Act 2013 (ERRA). The purpose behind these Acts is to provide protection to those employees who raise concern, and ensure that they are not unfairly treated as a result of raising their concern.

8.2 The whistleblowing legislation does not impose any positive obligations on employers to encourage whistleblowing or to implement a whistleblowing policy. However, the Government expects all public bodies to have written policies and the whistleblowing arrangements in local authorities are assessed as part of their annual audit process.

9.0 Risk Assessment

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

10.0 Background and Options

10.1 Employees are often the first to realise that there may be something seriously wrong within an organisation. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the organisation. They may also fear harassment or victimisation as a result of doing so.

10.2 In order to mitigate this risk, the Council has a Whistleblowing Policy that is intended to encourage and enable all staff to raise serious concerns within the organisation, rather than ignoring or failing to act on something that could be a significant problem or risk.

10.3 The Public Interest Disclosure Act (PIDA) provides that employers should not victimise any worker who “blows the whistle” in one of the ways set out in the legislation. Although there is no statutory requirement in the PIDA for organisations to have a whistleblowing policy, the Government expects public bodies to have a policy in place and the whistleblowing schemes in local authorities in England are assessed regularly as part of their external audit and review.

10.4 Furthermore, it should also be noted that, under PIDA, the adequacy of an organisation’s whistleblowing arrangements is one of the factors that tribunals and courts look at when they consider whether a wider public disclosure is protected under the legislation.

- 10.5 Finally, and importantly, regulators and the courts are increasingly looking at the adequacy of whistleblowing and other risk management arrangements, to determine whether an offence has been committed by an organisation under regulatory or criminal laws, and is also a factor when determining the level of fine or penalty for such an offence.
- 10.6 It is, therefore, important to regularly review the effectiveness of the Council's Policy, to ensure that it remains compliant with best practice and is effective in meeting its purpose. To this end, the policy has been subject to regular review since it was first presented to Members for approval in October 2008.
- 10.7 In reviewing the effectiveness of the Council's whistleblowing arrangements, it is important to consider both the volume and substance of reports that have been received. The difficult question that arises is whether a low number of reports is a good or bad thing. There is no easy answer to this, as much depends upon the size of the organisation, the risks faced by it, the robustness of the control environment in place to mitigate these risks, and the awareness of and confidence that staff have in the arrangements.
- 10.8 No matter how robust these arrangements are, it is impossible to know to what extent staff concerns go unreported, but the existence of some reports is evidence that the policy is understood and used.
- 10.9 During 2015/16, a total of 16 whistleblowing reports were received by Internal Audit, which can be broken down as follows:
- 2 did not fall under the scope of the policy and were therefore referred to the appropriate service/organisation for action;
 - 3 were unsubstantiated following investigation; and
 - 11 were treated as tip offs and included within an ongoing audit. Appropriate remedial action will be taken to address any control weaknesses identified during this process.
- 10.10 This represents a 129% increase in the total number of referrals when compared to those received in 2014/15. The increase is due to receiving several referrals from, what appear to be, different sources relating to high profile procurement issues. These were included within the scope of an ongoing procurement audit that is currently paused pending the outcome of a police investigation.
- 10.11 The number of referrals not relating to the procurement issues is consistent with the 7 received during 2014/15 and 8 in 2013/14.
- 10.12 A more important consideration than simply the volume of reports received is the substance of those reports, as even a single well founded concern received over a number of years can more than justify maintaining the whistleblowing arrangements

- 10.13 It is clear from the nature of the referrals received during 2015/16 that serious concerns have been raised, and, this in itself suggests that staff have confidence in the arrangements.
- 10.14 It is pleasing to note that all of the concerns raised were as a result of what appears to be genuine unease on the part of our staff, and that sufficient information was provided to allow for an investigation to be carried out in each case. There is no evidence that staff failed to report concerns because of fear that it would be detrimental to them.
- 10.15 In order to ensure that the Council's arrangements are effective, it is important to identify best practice and compare the arrangements in place against this.
- 10.16 As previously reported to this Committee, the Whistleblowing Policy was last updated in June 2014 to reflect best practice guidance issued by Public Concern at Work. No further guidance has been issued and as such the policy is considered to still be in line with best practice. It has however, been updated to reflect operational changes such as contact details and job titles.
- 10.17 During 2015/16, the Whistleblowing Policy was promoted via a Team Talk article in order to raise awareness of the policy amongst staff, and to ensure that they know how to refer any concerns that they may have.
- 10.18 The forthcoming Staff Survey includes a question asking staff if they feel confident to raise sensitive issues that concern them and this will give an indication as to the level of confidence in the whistleblowing arrangements across the whole staff group. Depending upon the responses to this question it may be necessary to follow up the Staff Survey with more specific questions.

11.0 Access to Information

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

Name: Michael Todd
Designation: Principal Auditor
Tel No: 01270 686567
Email: michael.todd@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30 June 2016
Report of: Director of Legal Services
Title: Risk Management Update Report
Portfolio Holder: Leader of the Council / Deputy Leader

1.0 Report Summary

1.1 Audit and Governance Committee has responsibility for monitoring the effectiveness of the Council's risk management arrangements. In order to support the Committee in fulfilling its role this report provides Members with:

- A summary of the progress of the risk management work undertaken against the agreed actions within the strategy.

2.0 Recommendation

2.1 That the Committee:

- i) Note and consider the contents of this report;
- ii) Agree that progress on actions from the strategy be placed before future committee meetings to enable effective member monitoring of the risk management process.

3.0 Reasons for Recommendations

3.1 The terms of reference for the Audit and Governance Committee include:

- monitoring the effectiveness of the Council's risk management arrangements; and
- advising the Council on the adequacy and effectiveness of these arrangements.

4.0 Wards Affected

4.1 All

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

- 6.1 Reports to support strategic policy decisions should include a risk assessment and the identification of mitigating actions.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

- 7.1 Effective risk management helps to maximise opportunities, achieve service objectives and minimise loss events including those with financial consequences.

8.0 Legal Implications (Authorised by the Head of Legal Services)

- 8.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk.

9.0 Risk Management

- 9.1 Effective organisational stewardship is based on strong corporate governance, which in turn relies on robust processes for corporate reporting, risk management and internal control. The existence of the Audit and Governance Committee does not remove responsibility from managers, members and leaders to manage the risks that the Council faces. It does, however, provide an opportunity and resource to focus on and improve the effectiveness of the Council's risk management arrangements.

- 9.2 An effective audit committee can:

- raise awareness of the need for robust risk management arrangements
- support the establishment of effective arrangements to govern and manage risks that help the Council to achieve its goals and objectives
- provide assurance through a process of independent and objective review of actions being taken on risk related issues

10.0 Background

Risk Management Work

- 10.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. As part of this the 2015-2017 Risk Management Policy Statement and Strategy were formally approved by Cabinet in February 2016, following recommendation from the Audit and Governance Committee.
- 10.2 Progress against the key strategy priorities are outlined below;

	Strategy Priority	Progress Update
1	Development of a risk management framework underpinning the policy statement and strategy.	<p>The draft framework has been developed.</p> <p>This was reviewed at the risk sub group. Further work is planned by the group to develop the reporting timetable, roles and responsibilities and the escalation process for corporate risks as essential components of the framework.</p>
2	Set up a risk sub group of the Corporate Assurance Group.	<p>The group has been established, comprising of business managers and representatives; the 'risk champions' from across the organisation.</p> <p>The role of the group needs to be strengthened including development of a formal work plan, terms of reference and roles and responsibilities in order to take the risk management action plan forward.</p> <p>The risk champions have begun to complete service risk registers, and are beginning to highlight risks for the corporate risk register.</p>
3	To critically examine commissioning plans so that risk is being considered appropriately at the business planning stage to ensure that risk is focused on the delivery of the key organisational objectives.	<p>Risk is now a standing agenda item on the quarterly challenge sessions with Directors which include finance, risk and performance.</p> <p>Service risk registers have nearly all been developed as part of the commissioning planning process. Input has been provided by the risk team to make them more consistent and to highlight any risks which may need consideration for the corporate risk register.</p> <p>Work is underway to align the corporate risks to the Corporate Plan priorities.</p>
4	To review the strategic risks facing the Council, examining, challenging and supporting the risk assessment process to ensure consistency and gain assurance that the strategic risks are being actively managed and monitored; including comprehensively revisiting and updating the Corporate risk register.	<p>No individual has the depth and breadth of knowledge to take on the task of identifying risks for the whole organisation. A number of people should be involved across disciplines, so that every aspect of risk and its impacts can be identified.</p> <p>This process involves determining the key objectives of the business through the commissioning plans and the failures to achieve these aims and objectives become the key risks; therefore the following actions</p>

	Strategy Priority	Progress Update
		<p>have been determined in order to move forward the strategic risks;</p> <p>Heads of service have been visited to determine their priorities and review the existing risks, in line with their budget / commissioning plan setting.</p> <p>Management Group Board (MGB) have resolved to complete a risk workshop at a future Cabinet / MGB away day.</p> <p>Work is underway to present a more streamlined approach to reporting on Risk Management in order for risks to be reviewed on a more frequent basis with a view to reporting quarterly to MGB, Informal Cabinet and Audit and Governance Committee.</p> <p>The revised Corporate Risk Register will be brought before the September 2016 Committee.</p>
5	Establish the Councils risk capabilities, the outcome of which will inform a training programme to ensure that everyone involved understands the principles of risk management and their particular responsibilities in this regard, providing them with the necessary skills and knowledge to fulfil their responsibilities.	The risk capabilities have not yet been established and a training programme is to be developed.

11.0 Access to Information

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

Name: Bill Norman

Designation: Director of Legal Services

Tel No: 01270 685850

Email: Bill.norman@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30 June 2016
Report of: Cheshire East Lifelong Learning
Title: Sub-Contracting Report - Cheshire East Lifelong Learning
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with an independent third party report on the commissioning and sub-contracting process of the Cheshire East Lifelong Learning service [CELL]
- 1.2 It is important for this report to be placed in context. Since 2010, public services have faced unprecedented change. The Skills Funding Agency [SFA] has for its part, not only reduced the available funding for adult learning, but recognised that there have been instances of Public sector funds being misdirected [Tactical Commissioning to meet targets]. As a result, from 2015-16 onwards, it is a requirement of acceptance of any SFA contract that each main contractor must commission, at its own cost, an independent report to confirm its compliance with the SFA Funding Rules, as published each year.
- 1.3 We appointed Beever and Struthers to carry out an audit and compile a report on the effectiveness of the Cheshire East Lifelong Learning (CELL) systems and controls in operation, in relation to subcontractors. This was organised to enable CELL to fulfil the requirement from the Skills Funding Agency (SFA) SFA Rules 2015-16 to have an annual assurance report on management of subcontracted delivery.

2.0 Recommendation

- 2.1 The Committee is asked to consider the external Report for the commissioning year 2015-16.
- 2.2 The Committee is asked to note the Auditor's opinion for 2015–16 together with recommendations for 2016-17 and beyond.

3.0 Reasons for Recommendation

- 3.1 In order to comply with the SFA Funding Rules 2015-16 and 2016-17, the service must provide a written annual report to those charged with governance by 31st January and repeat this process annually. Both the auditor and the CELL Head of Service must certify to the SFA that the report has been completed and an action plan is in place. This has been done.
- 3.2 This report was received mid January 2016 by the Portfolio Holder and head of service [Peter Cavanagh] who confirmed that all recommendations had been appropriately actioned.
- 3.3 The Portfolio Holder requested that this report be formally presented to the Audit and Governance Committee

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 Lifelong Learning team must be appropriately resourced to comply with statutory and best practice requirements. It has been proposed that CELL become part of SAGC but the ASDV has not received Registered Training Organisation approval. More importantly, the funding contract between the SFA and the Council cannot be novated under the present SFA guidelines and Funding Rules 2016-17. These Rules are under review for the academic year 2017-18 following the changes to the SFA allocation of funding, the Area Reviews, and LEP priorities.

8.0 Legal Implications

8.1 Skills Funding Agency [SFA] Funding Rules 2015- 16 require submission of an annual assurance report from funded organisations who are managing sub-contracted delivery. This report gives information about how this requirement has been complied with and confirms that the appropriate certificates have been delivered to the SFA

9.0 Risk Management

9.1 Failure to consider the quality and effectiveness of the Council's and CELL service's system of commissioning and managing sub-contracted provision by arrangement of external audit opinion on CELL's control environment could result in non-compliance with the requirements of the SFA Funding Rules 2016-17, resulting in the issue of a Notice of Concern, an unannounced OFSTED inspection and/or withdrawal of funding.

10.0 Background

10.1 All principal local authorities, in receipt of SFA funding and responsible for delivery of service by way of sub-contracting, must make provision for audit of process in accordance with the proper practices.

10.2 The primary purpose of this report, which is set out in Appendix A, is to provide an opinion on the overall adequacy and effectiveness of the service control environment. The report is written by the independent external auditor who must be suitably qualified to carry out such an audit.

11.0 Access to information

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

Name: Frank Collins

Designation: Finance and Governance Officer CELL

Tel No: 01270 686507

Email: frank.collins@cheshireeast.gov.uk



Sub-Contracting Report

Cheshire East Lifelong Learning

November 2015

BEEVER
AND
STRUTHERS

CHARTERED ACCOUNTANTS
AND BUSINESS ADVISORS

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Executive Summary

Beever and Struthers was appointed to carry out a report on the effectiveness of the Cheshire East Lifelong Learning (CELL) systems and controls in operation in relation to subcontractors to enable CELL to fulfil the new annual requirement from the Skills Funding Agency (SFA) SFA Rules 2015-16 to have an annual assurance report on managing subcontracted delivery.

Beever and Struthers is a firm of Chartered Accountants and Business Advisors. We have been providing accountancy and financial support services and advice to clients for over 100 years. Our head office in Manchester consists of 16 partners and over 110 staff. Within our Manchester office we have a dedicated team of internal auditors who are trained and qualified in this profession. Our programmes of work are designed to cover key strategic, operational and financial risks across the organisations with which we work and we provide internal audit services to both public sector and commercially operating organisations.

As internal auditors, our work is concerned with the design of internal controls to manage risk and ensuring compliance to those controls and is therefore appropriate for the review required by the SFA.

The scope of work undertaken is in line with the minimum requirements as documented within the "Providing external assurance on subcontracting controls" document produced by the SFA.

Our work was undertaken at Delamere House, Crewe. We assessed the design of and compliance to subcontracting controls through interviews with key staff and review of documentation supplied as evidence. Full details of documentation reviewed and interviews undertaken are included within the findings section of the report.

In total, we reviewed 7 sections and provided a 'green' (good) rating to 4, and 3 received an 'amber' (area for improvement) rating.

The following areas for improvement have been raised (see the Action Plan for management responses and timescales for implementation):

1. The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)
2. As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)
3. The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the appropriate Accounting Officer. (Funding Rule 55)

Action Plan

Matters Arising 9.1.1	
The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)	
Management Response	
<ol style="list-style-type: none"> 1. This is a new requirement of the SFA and details were published after the 2015-16 main commissioning process was underway. 2. Roll-over contracts and new contracts for 2015-16 for partners with whom the service had previously and recently contracted were subjected to Quality and Risk assessment as part of the commissioning and contracting process and were approved by Head of Service before contract completion and before contracts were started. 3. At the point of second round contracts being agreed in October / November 2015, these new contracts were approved by the Head of Investment on 17th November 2015. 4. If a further round of commissioning for the current year takes place, then approval as in 3 above will be sought before contracts are again signed off. 5. Therefore this process will, as at present, be carried out at each commissioning point throughout each academic year as well as at its beginning [Funding Rule 16]. 	
Responsibility	Action Date
Senior Development Officer	At Each Commissioning Point


Matters Arising 9.2.1	
As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)	
Management Response	
<p>It is recognised that this information would be better included in the Tender Documentation published on the Chest etc. rather than as an enquiry to be made at the point of contract negotiation and clarification.</p> <p>Procurement team are already aware of this proposal and had noted it for future publishing opportunities.</p>	
Responsibility	Action Date
Procurement Team	At Each Commissioning Point

Action Plan
(continued)

Matters Arising 9.7.1	
<p>The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the Accounting Officer. (Funding Rule 55)</p>	
Management Response	
<p>Supply Chain and Fees Policy is one of several matters that are jointly agreed between Cheshire East and Cheshire West & Chester councils as part of the activities of the ‘Community Learning and Skills in Cheshire trust’ [CLaSiC]. This had been published on the websites of both Organisations for the year 2015/16. It is agreed that CELL, together with the Head of Investment CEC should approve and record this policy annually.</p>	
Responsibility	Action Date
Senior Development Officer with Head of Investment CEC	June 2016

Findings

General subcontracting requirements

Objective 9.1	R/A/G and Opinion
Check Compliance with: <ul style="list-style-type: none"> Funding rules 14 to 17, 19 to 20 and associated evidence requirements. Financial Memorandum (FE) - clauses 9.2 and 9.9. Contract for Services - clauses 5.2, 5.9 and 5.10. Conditions of funding (grant) – clauses 4.2, 4.9 and 4.10. 	 <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to subcontracting requirements; however it was identified that confirmation that the Head of Investment had approved the contractors as being high quality and low risk had not been undertaken on a timely basis. (Funding Rule 16)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> Commissioning and Monitoring Spreadsheet Sign Off. Cheshire East Cabinet Meeting Minutes March 2014. 2015 /16 Procurement Risk assessment Approval Document. 	<ul style="list-style-type: none"> Development Officer Financial Consultant

Matters Arising

MA 9.1.1	The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)
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Findings

We undertook a review of the Funding Rules 14 alongside the associated evidence requirements and identified that CELL are required to “Ensure that the Board of Directors and your accounting officer must be satisfied that all subcontracting you undertake meets your strategic aims and enhances the quality of your offers to learners – this should be evidenced through Minutes of the governing body / board of directors meetings and written evidence of accounting officer sign off. The strategic aim should reflect the reasons for subcontracting set out in the published fees and charges policy.”

We confirmed through a review of a report presented to the Cheshire East Council Cabinet on March 2014 confirmed that the Cabinet agreed for a procurement exercise to be undertaken with bids invited and contracts awarded to the winning bidders for 1 academic year 2014/15 with the opportunity to extend for a further year of 2015/16. We confirmed that the strategic aims documented within the report to the Cabinet were in line with the reasons documented within the Supply Chain Fee Policy 2015/16.

In addition it was identified that additional procurement was undertaken in 2015/16 in which 2 further partners were appointed, this was approved by the Head of Investment Service.

Funding Rule 15 states that “You must only use subcontractors if you have the appropriate knowledge, skills and experience within your organisation to successfully procure, contract with and manage those subcontractors.” Discussions with the Development Officer and the Senior Development Officer identified that the service has been subcontracting contracts over the past 10 years and uses the Cheshire East Procurement and Legal Teams to ensure that skills and experience is within the organisation in relation to procurement and contract requirements for those subcontractors.

Findings
(continued)

General subcontracting requirements

Objective 9.1

Findings

In addition it was identified that the Development Officer had attended a SFA Subcontracting Briefing event in March 2015.

Funding Rule 16 states that “You must only use subcontractors who your governing body / board of directors and your accounting officer (senior responsible person) determine are of a high quality and low risk.” We were provided with a copy of the Commissioning and Monitoring Spreadsheet which had been approved by the Head of Investment - and confirmed that the subcontractors are of high quality and low risk. It was identified that this had been completed on the 17th November 2015 and not at the beginning of the academic year. **(Matters Arising 9.1.1)**

Funding Rule 17 states that “We expect you to have robust procedures in place to ensure that subcontracting does not lead to the inadvertent funding of extremist organisations.” We identified that one of the questions within the tender documents is that the Organisation identify the following classifications of organisations - Voluntary, Community, Faith, Social Enterprise, Medium, Mini and Small Enterprise or Sheltered Workshops. The Organisation would not enter into any contracts with un-registered entities and would rely on the Organisation’s Due Diligence checks as part of the tender process to identify any potential links to extremist organisations.


A review of the Skills funding Agency Rules 19 and 20 identified that they stated “You are responsible for all the actions of your subcontractors connected to or arising out of the delivery of the services which you subcontract.” And “We can, at any time, assess your arrangements for subcontracting. We can also require you to commission an independent report on these arrangements from a third party, such as your external auditors.” For both of these statements no evidence requirements had been assigned to and no testing was undertaken.

Financial Memorandum (Further Education College) Clause 9.2 is a statement informing the Organisation that it must comply with the sub-contracting delivery provision set out within the Funding Rules as has been tested within this report and confirmed that the Organisation is responsible for all the actions of its sub-contractors. Therefore no specific testing was undertaken to ensure compliance against this clause. Clause 9.9 does not exist within the 2015/16 Financial Memorandum (Further Education Colleges).

A review of the Contract for Services (Education and Training 2015/16) and the Conditions of Funding (Grant) identified that clause 5.2 and 4.2 was the same statement as documented within the Financial Memorandum 9.2 and therefore no testing was undertaken to ensure compliance against this clause. We undertook a review of Clauses 5.9, 4.9, 5.10 and 4.10 of the Contract for Services (Education and Training) and Conditions of Funding (Grant) identified that the clauses 5.9 and 4.10 state “The Contractor may not assign any rights, duties or obligations under this Contract without the consent of The SFA.” In addition 5.10 and 4.9 state “The Contractor must notify The SFA if there is a change in its name and/or ownership. The SFA reserves the right to terminate the Contract if it considers in its absolute discretion that the change in ownership would prejudice The Contractors ability to deliver the Services.” Discussions with the Financial Consultant identified that the Organisation has not changed its name and/or ownership and does not assign any of the rights, duties or obligations without the consent of the SFA.

Findings
(continued)

Selection and Procurement

Objective 9.2	Opinion
Check compliance with: <ul style="list-style-type: none"> • Funding rules 21 to 27 and associated evidence requirements. • Financial Memorandum (FE) - clause 9.6. • Contract for Services – clause 5.6. • Conditions of funding (grant) – clause 4.6. 	 <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to the Selection and Procurement of Sub-Contractors, however the Organisation could improve its processes in identifying any potential conflicts of interest. (Funding Rule 22)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> • Tender Submissions. • 14/15 Ofsted Report. • 14/15 minimum standards assessment. • Register of Training Organisations. • Contract Monitoring Spreadsheet. 	<ul style="list-style-type: none"> • Procurement Officer • Legal Officer • Development Officer
Matters Arising	
MA 9.2.1 As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)	
Findings	
<p>Funding Rule 21 states that “If you have not previously subcontracted provision we fund, you must get our approval in writing before awarding a contract to a subcontractor.” However, discussions with the Development Officer confirmed that the Organisation has previously used sub-contractors for the delivery of the Lifelong Learning Programme and therefore approval from the SFA is not required.</p> <p>Funding Rule 22 states that “When appointing subcontractors you must avoid conflicts of interest and you should:</p> <ul style="list-style-type: none"> • 22.1. tell the Chief Executive, in writing, about any circumstances (for example, where you and your proposed subcontractor have common directors) which might lead to an actual or perceived conflict of interest; • 22.2. not award the contract without the Chief Executive’s permission in writing; and • 22.3. send your request to your Central Delivery Service advise.” <p>The accompanying evidence requirement for this rule is: “Written details of anything that could be considered to give rise to a conflict of interests, and a copy of the response from the Chief Executive of Skills Funding.”</p>	

Findings
(continued)

Selection and Procurement

Objective 9.2

Findings

Discussions with the Development Officer identified that any conflicts of interest are requested to be confirmed by the Selection Panel at the Tender Evaluation Meeting held with a member of the procurement team. A review of the Tender evaluation Meeting Notes recorded by the procurement team identified that for the awarding of the contracts tested the only potential conflict identified was when YMCA tendered for 2015/16 funding. It was identified that the Development Officers on the panel had worked with the partner previously. This was forwarded to the Council Legal Department who confirmed that this would not be considered as a conflict of interest and therefore the case was not referred to the Chief Executive of Skills Funding. In addition it was identified that in 2015 the Development Officer undertook a review of all directors of Partners and confirmed that none of the directors were Members of the Council, however no conflicts were identified. Discussions with the Development Officer identified that going forward a question is to be included within the Tender Submission document asking the potential partner to highlight any known conflicts. **(Matters Arising 9.2.1)**

Funding Rule 23 states that “You must carry out your own due diligence checks when appointing subcontractors. You must not use the Register of Training Organisations as a substitute for carrying out your own due diligence checks.”

We undertook a review of the Tender Documents all partners were required to submit to become a partner for the Organisation. The review identified that the following documents were provided for all parties which enabled the Organisation to undertake appropriate Due Diligence checks: Companies House Registration Details, Charity Details, VAT Number, 2 Reference contact details, Safeguarding Policies, Safe Learner Policies & Procedures and Insurance Details.

Funding Rule 24 states that “You must not appoint any subcontractors with a contract value of £100,000 or greater for each funding year unless they are listed on the Register of Training Organisations first. 24.1. This also applies if the subcontract from you would take the total value of subcontracts that the subcontractor holds to deliver education and training funded by us to £100,000 or more. 24.2. You must obtain this information from each proposed subcontractor and also refer to the latest published List of Declared Subcontractors and Register of Training Organisations.”

The accompanying evidence requirement for this rule is: “Evidence that the subcontractor is on the Register of Training Organisations and the UK Register of Learning Providers (UKRLP), and their UK Provider Registration Number (UKPRN).”

A review of the partner check undertaken by the Development Officer at the beginning of 2015/16 academic year identified through a review of the SFA list of Declared subcontractors and correspondence with the partners that 3 of the Organisations Partners had anticipated income over 100k and confirmed that all 3 organisations were listed on the Register of Training Organisations and had a UKPRN.

Funding Rule 25 states that “If a subcontractor you are using exceeds the £100,000 threshold and is not listed on the Register of Training Organisations, you must immediately end your subcontract with that organisation. This applies regardless of whether you were the provider whose contract took the subcontractor over the threshold.” However this did not apply as the Organisation had undertaken appropriate checks upon the letting of the contracts as identified above.

Findings
(continued)

Selection and Procurement

Objective 9.2

Findings

Funding Rule 26 states that “We expect you to make sure any subcontractor you appoint continues to meet the Register of Training Organisations’ requirements and that they receive all the necessary support from you.” We identified that a Question was asked within the correspondence undertaken by the Development Officer to ensure the Organisation met rule 25 and identified that all 5 previously registered Sub-Contractors advised the Organisation that they did not require assistance.

Funding Rule 27 states that “If any of the following circumstances apply, you must not enter into new subcontracting arrangements or increase the value of your existing arrangements. These conditions will continue until we are satisfied that the concerns have been addressed and the circumstances below no longer apply.

- 27.1. If Ofsted has rated your leadership and management as inadequate.
- 27.2. If you do not meet our Minimum Standards.
- 27.3. If the outcome of your annual financial health assessment we carry out is inadequate.”

We confirmed through a review of the Organisation’s 2014/15 Ofsted Report and the 2013/14 Minimum Standards Assessment undertaken by the SFA that the Organisation had been rated as having good leadership and management and had met the SFA’s Minimum Standards. The SFA minimum standards assessment for 2014-15 is overdue and not expected to be published until March 2016.


A review of the SFA’s Financial Health Assessment guidance identified that as a Local Authority the Organisation is exempt from having an annual Financial Health Assessment.

Financial Memorandum (FE) clause 9.6 state that “The College shall ensure that subcontractors are selected fairly and have sufficient capacity, capability, quality and financial standing to deliver the Provision.” And the Contract for Services clause 5.6 states that “THE CONTRACTOR shall ensure that sub-contractors are selected fairly and have sufficient capacity, capability, quality and financial standing to deliver the Services”

We are satisfied that the procurement methods outlined within the testing undertaken to ensure that all funding rules had been appropriately met ensure that contractors are selected fairly and have sufficient, capacity, capability, quality and financial standing to deliver the provision.

Findings
(continued)

Entering into a subcontract

Objective 9.3	Opinion
<p>Check compliance with:</p> <ul style="list-style-type: none"> • Funding rules 28 to 45 and associated evidence requirements. • Financial Memorandum (FE) - clauses 9.4, 9.5 and 9.7. • Contract for Services – clauses 5.4, 5.5 and 5.7. • Conditions of funding (grant) – clauses 4.4, 4.5 and 4.7. 	 <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to entering into a subcontract.</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> • Companies House Screenshots. • Tender Submission Documents. • CELL Learner Introduction Paperwork. • CELL Contingency Plan. • 2014/15 Contract. • 2015/16 Extension Notice. • 2015/16 Contracts. 	<ul style="list-style-type: none"> • Development Officer
Matters Arising	
N/A	
Findings	
<p>Funding Rule 28 states that “All learners who are provided with education and training under a subcontract remain your responsibility. This includes learners funded by us or through a 24+ Advanced Learning Loan. If your subcontractor fails to deliver, you will be responsible for making alternative arrangements for the delivery of education and training and/or repaying Skills Funding Agency or Loan funding.” No specific testing was undertaken in this area as the rule did not require the Organisation to undertake any actions.</p> <p>Funding Rules 29 and 30 state that “You must only award contracts for delivering funded provision to legal entities. If the legal entity is a registered company, it must be recorded as ‘active’ on the Companies House database.” And “You must not award a subcontract to any organisation if:</p> <ul style="list-style-type: none"> • 30.1. it has an above average risk warning from a credit agency; • 30.2. it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed; or • 30.3. its statutory accounts are overdue.” <p>The accompanying evidence requirements for these rules are “Copies of the process you follow and checks you carry out when appointing subcontractors.”</p>	

Findings
(continued)

Entering into a subcontract

Objective 9.3

Findings

We confirmed that for all 4 partners tested evidence had been retained of the Organisation checking on Companies House that the company was active and therefore a legal entity.

Additionally as part of the tender submission documents all partners are required to confirm that none of the clauses apply to the Organisation. We confirmed that the Development Officers check of the Companies House would enable the Organisation to identify if Statutory accounts are overdue. In addition as of 2015/16 contract awards Dun and Bradstreet Credit references are obtained and retained to ensure that the Sub-Contractors risk is not above average. We confirmed that for the one organisation from 2015/16 tender process a Dun and Bradstreet credit report had been retained on file confirming the Sub Contractors risk as being below average. For all 4 contractors a disclosure had been made within their tender submissions confirming that none of the rules within 30.1, 30.2 and 30.3 apply to them.

Funding Rule 31 states that “You must make sure that learners and employers supported through subcontracting arrangements know about your and your subcontractor’s roles and responsibilities in providing the learning.” We undertook a review of the paperwork submitted to all learners and confirmed that it included details of the Organisation being the lead provider, the subcontractors roles and responsibilities and contact details for the Organisation should the learner have any concerns regarding the Sub Contractor’s not fulfilling their roles and responsibilities.

Funding Rule 32 states that “You must have a legally binding contract with each subcontractor that includes all the terms set out below in paragraphs 35 to 45.”

The accompanying evidence requirement for this rule is a “Copies of your subcontracts with each subcontractor.”

We undertook testing for 4 of the Sub Contractors and confirmed that a signed contract had been retained by the Organisation which contained clauses set out in rules 35 to 45.

Funding Rule 33 states that “You must have a contingency plan in place for learners in the event that:

- 33.1. you need to withdraw from a subcontract arrangement;
- 33.2. a subcontractor withdraws from the arrangement; or
- 33.3. a subcontractor goes into liquidation or administration”

The accompanying evidence requirement for this rule is “A contingency plan.”

We were provided with the Organisation’s Contingency Plan which was developed by the Financial Consultant and approved at the CELL Strategy Meeting in November 2015. A review of the plan confirmed that it had considered all 3 scenarios documented within the rules which would require the Organisation to provide the learning through alternative means.

Findings
(continued)

Entering into a subcontract

Objective 9.3

Findings

Funding Rule 34 states that “We need assurance that education and training provided by subcontractors will keep to our funding rules. You must make sure that the terms of your subcontracts allow you to:

- 34.1. monitor the subcontractor’s activity;
- 34.2. have control over your subcontractors; and
- 34.3. monitor the quality of education and training provided by Subcontractors.”

We undertook a review of the Organisation’s contracts and confirmed that clauses had been included within the contract to ensure that the Organisation could undertake monitoring as outlined within the Funding Rule.

Financial Memorandum (FE) Clauses 9.4, 9.5, Contract for Service Clauses 5.4, 5.5 and Conditions of funding (grant) clauses 4.4. and 4.5 state that “Where the College has sub-contracted any duties or obligations arising out of this Financial Memorandum, the College shall ensure that there is in place a legally binding sub-contract and send copies of the subcontract to the SFA if requested in writing to do so. Where the College enters into a sub-contract for the purpose of delivering the Provision, the College shall ensure that the sub-contract includes any terms specified in the Funding Rules”. And “The College shall ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term providing that the SFA has the right to enforce the terms of the sub-contract.” We have undertaken testing within the remainder of the report to ensure that the Organisation is compliant with the Funding Rules and has appropriate clauses within its subcontracting contract and confirmed compliance.


Financial Memorandum (FE) Clause 9.7 is “The College shall make payment to any sub-contractor within 30 days of receiving a valid claim for payment and ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term giving effect to this requirement.”

We confirmed that this requirement is documented within the contracts held by the Organisation.

Contract for Services clause 5.7 and Conditions of funding (grant) clauses 4.7 states that “THE CONTRACTOR may not assign any rights, duties or obligations under this Contract without the consent of THE CHIEF EXECUTIVE.” We confirmed that any SFA rights duties or obligations are not assigned by the Organisation to its subcontractors as the Organisation remains responsible.

Findings
(continued)

Monitoring

Objective 9.4	Opinion
Check compliance with: <ul style="list-style-type: none"> Funding rules 46 to 49. 	 <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to the monitoring of sub-contractors.</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> Quality Observations of Teaching Learning and Assessment [OTLA] Proforma – Adult Skills and Community Learning. OTLA Matrix for 2015/16. OTLA Moderation Form. Outstanding Actions Monitoring Database. Monitoring Spreadsheets - Adult Skill and Community Learning. Termly Development Officer Meeting Notes. 	<ul style="list-style-type: none"> Development Officer Senior Development Officer
Matters Arising	
N/A	
Findings	
<p>Funding Rule 46 states that “You must robustly manage and monitor all of your subcontractors to ensure that high-quality delivery is taking place that meets the specific funding requirements for each programme being delivered.” We identified that this monitoring is undertaken at a termly meeting with all subcontractors during which all outstanding actions for the subcontractor are reviewed in addition to performance and enrolment figures for the term.</p> <p>Funding Rule 47 states that “You must carry out a regular and substantial programme of quality-assurance checks on the education and training provided by subcontractors, including visits at short notice and face-to-face interviews with staff and learners. The programme must:</p> <p>47.1. cover whether the learners exist and are eligible;</p> <p>47.2. involve direct observation of initial guidance;</p> <p>47.3. involve direct observation of assessment; and</p> <p>47.4. involve direct observation of the delivery of learning programmes.”</p> <p>Discussions with the Development Officer identified that the Organisation undertakes Quality Observations of Teaching Learning and Assessment (OTLA) which are undertaken by the Senior Development Officer, Development Officer or an external consultant. It was identified that these observations are undertaken throughout the year to ensure that each Tutor is observed during an academic year, and are undertaken during initial guidance sessions, assessment sessions and during the delivery of the learning programme. We confirmed this through a review of the OTLA programme maintained by the Senior Development Officer. In addition following enrolment onto a learning programme the Subcontractor submits eligibility paperwork to the Organisation which is reviewed by the Administration Assistant to confirm that the learner exists and is eligible.</p>	


Findings
(continued)

Monitoring

Objective 9.4
Findings
<p>Funding Rule 48 states that “The findings of your assurance checks must be consistent with your expectations and the subcontractor’s records” As part of the development Officer Visits the Organisation compares the Subcontractors current performance to the target for the year to ensure that the contractor is performing in line with the Organisation’s expectations. In addition, if an OTLA results in a below average score, action points are identified and the Tutor is re assessed within 3 months to ensure that the subcontractors meet the Organisation’s expectations.</p> <p>Funding Rule 49 states that “You must make sure that any apprenticeship provision that you subcontract meets all of the standards required of apprenticeship delivery, including the requirements of the individual apprenticeship frameworks, the Statement of Apprenticeship Quality and the rules in the apprenticeship section of this document.”</p> <p>Discussions with the Development Officer identified that the Organisation does not subcontract any apprenticeship provision.</p>


Findings (continued)

Second level subcontracting

Objective 9.5	Opinion
Check compliance with: <ul style="list-style-type: none"> Funding rules 50 to 51 and associated evidence requirements. Financial Memorandum (FE) - clause 9.3. Contract for Services – clause 5.3. Conditions of funding (grant) – clause 4.3. 	
	We identified that the Organisations does not have any arrangements in place in relation to second Level Sub-Contracting.
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> 2015/16 – Sub contracting Contract 	N/A
Matters Arising	
N/A	
Findings	
We identified through a review of the Organisation's sub-contracting Contract that it does not allow the subcontractor to second level subcontract and therefore no testing was undertaken in this area.	

Findings
(continued)

Reporting on subcontracting

Objective 9.6	Opinion
Check compliance with: <ul style="list-style-type: none"> Funding rules 52 to 54 and associated evidence requirements. Financial Memorandum (FE) - clause 9.1. Contract for Services – clause 5.1. Conditions of funding (grant) – clause 4.1. 	 <p>We are satisfied that the Organisation has appropriate controls in place to ensure that they are compliant with the SFA requirements in relation to reporting on subcontracting.</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> Subcontractor Declaration Form ILR Submission Records Contractor Monitoring Spreadsheet 	<ul style="list-style-type: none"> Development Officer
Matters Arising	
N/A	
Findings	
<p>Funding Rule 52 states that “You must provide a fully completed Subcontractor Declaration Form by the exact dates we will give you. This will be at least twice during 2015 to 2016. If you do not return the form on time, we will suspend your payments. If you do not subcontract, you must still provide a nil return form to confirm this.” The associated evidence requirement for this rule is “An up-to-date and fully filled-in Subcontractor Declaration Form.” We were provided with email evidence of the Organisation submitting one request for the Subcontractor Declaration Form. A review of the email identified that the deadline for submission by the Organisation was the 13th November 2015 and the submission was made by the Development Officer on the 6th November 2015.</p> <p>Funding Rule 53 states that “You must also update and return your Subcontractor Declaration Form if your subcontracting arrangements change during the year.” Discussions with the Development Officer and a review of Contractor Monitoring Spreadsheet identified that the Declaration Form submitted in November 2015 is consistent with the Organisation’s current subcontracting arrangements.</p> <p>Funding Rule 54 states that “You must report all subcontracted learning in the ILR” Discussions with the Development Officer and the Project Finance Officer identified that on an ongoing basis all Adult Learning Course Providers submit data regarding course completion and enrolment. This data is input onto a monitoring spreadsheet by the Business Support Assistant and is monitored by the Organisation and provided to the Organisations Data Team to enable them to include this data within the Monthly Individual Learning Record (ILR) Submission. In addition all Community Learning Courses are required to submit data by a deadline each term to allow the Organisation appropriate time to process the data and include the data within the ILR Submission. We confirmed through a review of the submission portal that the Organisation had submitted the data to the SFA on a timely basis on the last 3 occasions.</p>	

Findings
(continued)

Reporting on subcontracting

Objective 9.6


Findings

Financial Memorandum (FE) Clause 9.1 states that “Where the College sub-contracts or intends to sub-contract any duties or obligations arising out of this Financial Memorandum the College must provide the SFA with details of all sub-contractors bi-annually, by fully and accurately completing the Declaration of Subcontractors form in accordance with the deadline set out in the Funding Rules. If the College is not sub-contracting then a nil return must be received by the deadline date. The College must notify the SFA of any within year changes to its sub-contractors. The SFA reserves the right to require the College not to enter into or to terminate any sub-contract to deliver the Provision under this Financial Memorandum.” We confirmed that this Clause had been met through testing undertaken in line with Funding Rule 53 which confirmed that the Organisation had submitted a Subcontracting Declaration form on the 6th November 2015.

Contract for Services Clause 5.1 and Conditions of Funding (grant) clause 4.1 states that “Where THE CONTRACTOR sub-contracts or intends to sub-contract any duties or obligations arising out of this Contract, THE CONTRACTOR must provide THE SFA with details of all sub-contractors bi annually by fully and accurately completing the Declaration of Subcontractors form in accordance with the deadline set out in the Funding Rules. If THE CONTRACTOR is not sub-contracting then a nil return must be received by the deadline date. THE CONTRACTOR must notify THE SFA of any within year changes to its subcontractors. THE SFA reserves the right to require THE CONTRACTOR not to enter into, or to terminate, any sub-contract to deliver the Services under this Contract.” We confirmed that this Clause had been met through testing undertaken in line with Funding Rule 53 which confirmed that the Organisation had submitted a Subcontracting Declaration form on the 6th November 2015.

Findings
(continued)

Fees and charges

Objective 9.7	Opinion
Confirm compliance with: <ul style="list-style-type: none"> Funding rules 55 to 63 and associated evidence requirements. 	 <p>We are satisfied that the Organisation has complied with the requirements for funding rules 56 – 63. However, we identified that the Organisation was unable to provide evidence that the Supply Chain Fees and Charges Policy had been reviewed and signed by the Board of Directors and the Accounting Officer. (Funding Rule 55)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> Supply Chain fees and Charges Policy 2015/16 2014/15 - Provision Subcontracting Table – CELL 	<ul style="list-style-type: none"> Development Officer
Matters Arising	
MA 9.7.1	The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the Accounting Officer. (Funding Rule 55)
Findings	
<p>Funding Rule 55 states that “Your supply-chain fees and charges policy must be reviewed and signed by your governing body / board of directors and your accounting officer” The associated evidence requirement for this rule is “Minutes of governing body / board of directors meetings and written evidence of accounting officer sign-off.” Internal Audit identified that the 15/16 Supply Chain and Fee Policy was reviewed and approved by the CLaSiC Trust Members however evidence of formal sign off had not been retained by the Organisation. (Matters Arising 9.7.1)</p> <p>Funding Rule 56 states that “You must publish your supply-chain fees and charges policy on your website before entering into any subcontracting agreements for the 2015 to 2016 funding year. “ The Associated evidence requirement for this rule is “Evidence of a published supply-chain fees and charges policy, as set out in these funding rules.” We confirmed through a review of the Organisation’s website that the Supply-Chain Fees and Charges policy had been published in July 2015 prior to the Organisation issuing extension details and the tendering process for 2015/16.</p> <p>Funding Rule 57 states that “Your fees and charges policy must only include ‘provision subcontracting’. Provision subcontracting is when you subcontract the delivery of full programmes or frameworks. It is not subcontracting the delivery of a service as part of the delivery of a programme (for example, buying the delivery of part of an apprenticeship framework or outreach support). If you are not sure whether your subcontracting arrangements are defined as ‘provision subcontracting’, please discuss this with our Central Delivery Service.” The Organisation does provision subcontract and therefore is required to include all details within the subcharges policy, no other subcontracting is undertaken by the Organisation.</p>	

Findings
(continued)

Fees and charges

Objective 9.7

Findings

Funding Rule 58 states that “Employers receiving direct grant funding from us must publish information on their fees and charges policy for the 2015 to 2016 funding year online or, where this is not appropriate, send the information to their employer development manager. This information will then be held on record and be available for requests under the Freedom of Information Act.” We confirmed that the Organisation Fees and Charges Policy are published online.

Funding Rule 59 states that “59. You must, as a minimum, include the following in your supply-chain fees and charges policy.

- 59.1. Your reason for subcontracting.
- 59.2. Your contribution to improving your and your subcontractor’s quality of teaching and learning.
- 59.3. The typical percentage range of fees you retain to manage subcontractors, and how you calculate this range.
- 59.4. The support subcontractors will receive in return for the fee you charge.
- 59.5. If appropriate, the reason for any differences in fees charged for or support provided to different subcontractors.
- 59.6. Payment terms between you and your subcontractors; timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.
- 59.7. How and when the policy is communicated to and discussed with current and potential subcontractors.
- 59.8. Timing for policy review.
- 59.9. Where the policy is published.”

We undertook a review of the Supply Chain fees and Charges Policy and confirmed that the Policy did contain all the relevant information as outlined within the Funding Rules.

Funding Rule 60 states “You must also publish the actual level of funding paid and retained for each of your subcontractors in 2015 to 2016. This data must be published within 30 days of the 2015 to 2016 ILR closing.

60.1. The actual level of funding paid and retained must only include ‘provision subcontracting’, which is defined in paragraph 57.” The associated evidence requirements for Funding Rules 60 -63 are that “Evidence of funding paid and retained in relation to supply-chain fees and charges, as set out in these funding rules.”

We identified that the Organisation has not published figures in relation to the 2015/16 financial year as this is required to be undertaken 30 days following the close of the 2015/16 ILR which will be in July 2016. We did confirm that the publishing of 2014/15 return had been undertaken within time and included details of the Organisation’s subcontracting provision.

Findings (continued)

Fees and charges

Objective 9.7

Findings

Funding Rule 61 states that “Employers receiving grant funding direct from us should publish their data online or, where this is not appropriate, send it to their employer development manager within 30 days of the 2015 to 2016 ILR closing. This information will then be held on record and be available for requests under the Freedom of Information Act.” We confirmed that the Organisation’s Data had been published online for the 2014/15 financial year.

Funding Rule 62 states that “You must, as a minimum, include the following in your published supply-chain fees and charges.

- 62.1. Name of the subcontractor.
- 62.2. The UKPRN number of the subcontractor.
- 62.3. Contract start and end date.
- 62.4. Type of provision (for example, 16 to 18 apprenticeships, 19+ apprenticeships, classroom learning, workplace learning).
- 62.5. Funding we have paid to you for provision delivered by the subcontractor in that academic year.
- 62.6. Funding you have paid to your subcontractor for provision delivered in that academic year.
- 62.7. Funding you have retained in relation to each subcontractor for that academic year.
- 62.8. If appropriate, funding your subcontractor has paid to you for services or support you have provided in connection with the subcontracted provision.”

We undertook a review of the published information for the 2014/15 academic year and confirmed that the table provided included all of the information documented within Funding Rule 62.

Funding Rule 63 states that “You must publish this information on actual fees and charges alongside your supply-chain fees and charges policy.” We confirmed that the two documents had been published on the same page within the Organisation’s website.

Appendix 1: Definitions

We have assessed the control framework in each area on a red, amber, green basis, in order to provide an 'at a glance' summary of the strength of controls in place. Definitions for scoring are as follows:

Rating	Definition
	Inadequate
	Area for Improvement
	Good

St George's House
215-219 Chester Road
Manchester M15 4JE

T: 00 44 161 832 4901
E: manchester@beeverstruthers.co.uk
W: beeverstruthers.co.uk



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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting:	30th June 2016
Report of:	Chair of the Audit and Governance Committee
Title:	Audit and Governance Committee Self-Assessment
Portfolio Holder:	Councillor Rachel Bailey

1.0 Report Summary

- 1.1 The aim of this report is to support the Audit and Governance Committee in performing effectively and facilitate compliance with the Accounts and Audit (England) Regulations 2015. Members are, therefore, asked to consider the results of a self assessment of the effectiveness of the Audit and Governance Committee, carried out by the Chair and Vice Chair using the CIPFA publication '*Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)*'.

2.0 Recommendations

- 2.1 That the Committee:
- consider the self-assessment (Appendix A) and determine any required amendments,
 - endorse the actions arising from the self assessment and note that a further report, updating Members on progress with these actions, will be brought to a future meeting of this Committee.

3.0 Reasons for Recommendations

- 3.1 A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for the Audit and Governance Committee to be effective.
- 3.2 Regular self-assessments against best practice, as outlined in the CIPFA "Audit Committees Practical Guidance for Local Authorities (2013)" can be used to support the planning of the Committee's work programme, training plans and inform the annual report.
- 3.3 The self-assessment forms part of the review of the system of internal control as required by Regulation 6 of the Accounts and Audit (England) Regulations 2015 and which supports the production of the Annual Governance Statement (AGS).

4 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 (Authorised by the Chief Operating Officer)

7.1 No specific financial implications.

8.0 Legal Implications (Authorised by the Head of Legal Services)

8.1 As detailed within the report the Council is required to abide by the Accounts and Audit (England) Regulations 2015.

9.0 Risk Assessment

9.1 It is not uncommon for audit committees to face difficulties or barriers to fulfilling their potential effectiveness. Regular self-assessment against best practice may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges whilst facilitating compliance with the Accounts and Audit (England) Regulations 2015.

10.0 Background

10.1 The process for conducting the review of the effectiveness of internal audit, which is based on best practice guidance, was agreed with the Audit and Governance Committee in November 2014 and includes a self-assessment using the following:

- The Checklist for Assessing Conformance with the Public Sector Internal Audit Standards and the Local Government Application Note, taken from the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (CIPFA).
- Self-assessment of Good Practice and Evaluating the Effectiveness of the Audit Committee taken from Audit Committees - Practical Guidance for Local Authorities and Police (2013 Edition).

10.2 Table 1 and Table 2 show the outcome of the 2015/16 draft self-assessment against the Good Practice questions and the Evaluation of the Effectiveness of the Audit Committee. The detailed self-assessment is shown in Appendix A.

Table 1 2015/16 Draft Self-Assessment Results – Section 1: Good Practice Questions

Self-Assessment against Good Practice 2015/16		
Meeting recommended practice	Number	Actions Arising
Yes	14	0
Partly	5	4
No	1	1
Total	20	5

Table 2 2015/16 Draft Self-Assessment Results –Section 2: Evaluating the Effectiveness of the Audit Committee

Assessment Key: Level	Assessment Key: Criteria	Outcome of 2015/16 draft Assessment	Actions Arising
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.	1	1
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.	8	3
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps	0	0
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.	0	0
1	No evidence can be found that the audit committee has supported improvements in this area.	0	0
Total		9	4

10.3 Tables 3 and 4 below compare the outcomes of the 2015/16 Audit and Governance Committee self-assessment to those of the 2014/15 and 2013/14 review, previously reported to Members in March 2014 and March 2015.

Table 3 Self-Assessment Comparison against previous years: Section 1- Good Practice Questions

Self-assessment of Good Practice			
Assessment	No. of Good Practice Questions		
	Outcome of 2013/14 Assessment	Outcome of 2014/15 Assessment	Outcome of 2015/16 draft Assessment
Yes	12	16	14
Partly	7	4	5
No	1	0	1
Total	20	20	20

10.4 The “No” assessment response in the draft 2015/16 assessment against good practice questions recognises an outstanding action from the 2014/15 self-assessment action plan. The assessment of Committee member’s skills and knowledge will be undertaken shortly, with a view to being discussed with the Chair, Vice Chair and Member/Officer Sub Groups ahead of the September 2016 Committee meeting.

10.5 A number of responses previously assessed as “Yes” have been reviewed and have now been assessed as “Partly”. These include

- Whether the role of the audit committee is understood and accepted across the authority.
- Has the Committee evaluated whether and how it is adding value to the organisation?
- Does the Committee have an action plan to improve any areas of weakness?

Improvement actions have been identified for these areas. Implementation of the actions should result in a “Yes” response on reassessment.

Table 4 Self-Assessment Comparison against previous years: Section 2 - Evaluating the Effectiveness of the Audit Committee

Evaluating the Effectiveness of the Audit Committee			
Assessment Key: Level (Criteria as per Table 2)	No. of areas where the committee can add value by supporting improvement		
	Outcome of 2013/14 Assessment	Outcome of 2014/15 Assessment	Outcome of 2015/16 draft Assessment
5	0	0	1
4	7	7	8
3	2	2	0
2	0	0	0
1	0	0	0
Total	9	9	9

10.6 The changes in responses to Section 2 of the assessment reflect the implementation of actions identified in previous self-assessments. In the interests of further developing the effectiveness of the Audit and Governance Committee, a small number of actions have been identified.

10.7 The results of the Audit and Governance Self-Assessment, and the outcome of the assessment of Internal Audit will be reported to this Committee for consideration as part of the AGS process. It is important that Members are satisfied that the draft Audit and Governance Committee self-assessment, prepared by the Chairman and Vice Chairman, has been completed correctly. The Committee is therefore asked to:

- consider the draft self-assessment (Appendix A) and determine any required amendments:
- endorse the actions arising from the draft self- assessment; and
- note that a further report, updating Members on progress on these actions, will be brought to a future meeting 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 Lesley Smetham

Designation: Chairman of the Audit and Governance Committee

Tel No:

Email: Lesley.smetham@cheshireeast.gov.uk

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This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2013). Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

Regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Section 1 – Good Practice Questions

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			
2	Does the audit committee report directly to full council?	✓			The Audit and Governance Committee present an annual report to Full Council.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement*? * The Purpose of Audit Committees (CIPFA Position Statement) extract: <i>Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.</i> <i>The purpose of an audit committee is to provide to those</i>	✓			Council approved new Terms of Reference (ToR) in May 2014 following reference to and recommendation from the Constitution Committee. The ToR are based on the latest guidance from CIPFA; "Audit Committees: Practical Guidance for Local Authorities and Police" (2013 Edition) and therefore clearly set out the purpose of the Committee in accordance with CIPFA's position statement. A discussion on the Committee's ToR is on the agenda for the June 2016 Audit and Governance Committee.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	<i>charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</i>				
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓		<p>Moved from Yes to Partly</p> <p>The Committee's Terms of Reference are included in the Council's Constitution and are approved by Full Council.</p> <p>The Annual Report of the Committee is presented to Full Council. It addresses the areas where the Committee should be held to account and helps to ensure that those not directly involved in the work of the Committee achieve an understanding of its role and purpose</p> <p>IMPROVEMENT ACTION: <i>Training and awareness on the purpose and function of the Audit and Governance Committee to be included on the forthcoming Member Development Programme, for the benefit of all Members. Other ways of raising awareness of the Committee and its purpose to be discussed with the Senior Member Development Officer.</i></p>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			<p>The Annual Report of the Committee is presented to full Council. It addresses the key areas where the Committee should be held to account including what impact it has had on the improvement</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					of governance, risk and control within the Council. Delegated governance responsibilities include approving the Council's Annual Governance Statement (AGS).
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			The Audit and Governance Committee's ToR, approved in May 2014, include accountability arrangements. The Annual Report of the Committee is based on recommendations made by the CIPFA Better Governance Forum and those contained in Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition). It is presented to full Council and addresses the key areas where the Committee should be held to account.
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			The ToR are based on the latest guidance from CIPFA - Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) and explicitly address all of the core areas identified in CIPFA's Position Statement.
	good governance				
	assurance framework				
	internal audit				
	external audit				
	financial reporting				

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	risk management				
	value for money or best value				
	counter-fraud and corruption.				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			A self- assessment of the Committee is undertaken every year and forms part of the AGS process. The Committee's Annual Report compares the work carried out by the Committee during the year with its ToR.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			<p>Considered as part of the review of the Committees ToR in 2014 and evidenced by the Committee having responsibility for reviewing:</p> <ul style="list-style-type: none"> • ethical standards issues • the effectiveness of the Council's whistleblowing arrangements • and monitoring the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			<p>See Actions below relating to:</p> <ul style="list-style-type: none"> ▪ Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements ▪ Supporting the development of robust arrangements for ensuring value for money.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 		✓		<p><i>Moved from Yes to Partly</i></p> <p>The Committee is separate from the executive and is of a size that is not unwieldy. No independent members are used.</p> <p>The Chair and Vice Chair of the Committee are selected by the Leader of the Council, and confirmed by the vote of full Council.</p> <p>Re: appropriate mix of knowledge and skills among the membership, see 15 below.</p> <p>A report on the use of an independent member is being brought to the Committee in June 2016.</p>
13	Does the chair of the committee have appropriate knowledge and skills?	✓			<p><i>Moved from Partly to Yes</i></p>
14	Are arrangements in place to support the committee with briefings and training?		✓		<p><i>Moved from Partly to Yes</i></p> <p>Training sessions have been held in line with the previous Training Schedule. See also Action from (15).</p> <p>The Committee is supported by Member/Officer groups which meet 4-5 times per year. The Groups are designed to increase knowledge and expertise, and cover areas within the Committee's Terms of Reference, including; Audit, Financial</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					Statements, Counter Fraud, Corporate Governance, Risk Management and a Standards Working Group.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?				<p>Moved from Partly to No</p> <p>There has been no assessment of the current Committee's knowledge and skills.</p> <p>IMPROVEMENT ACTION:</p> <p>✓ <i>An assessment of the Committee Member's knowledge and skills will be carried out against the core framework. This will be used to develop a programme of support, which will include regular briefings, updates and formal training sessions. This will be started in June 2016 with a view to being discussed with the Chair, Vice Chair and Member/Officer Sub Groups ahead of the September 2016 committee meeting.</i></p>
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			<p>External Audit attend all Committee meetings.</p> <p>The Head of Internal Audit, the Chief Operating Officer (Section 151 Officer), the Head of Corporate Resources & Stewardship (Deputy Section 151 Officer), and the Head of Legal Services (Monitoring Officer) attend all Committee meetings.</p> <p>In line with the Action from the last self-assessment, the Chair and Vice Chair have met with External Audit separately.</p>
17	Is adequate secretariat and administrative support to the	✓			Democratic Services provide secretariat and administrative

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	committee provided?				support to the Committee.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		<p>The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance.</p> <p>IMPROVEMENT ACTION: <i>The Chair will solicit feedback from Members about their work on the Member/Officer Sub Groups in order to inform the wider Committee, and ask visiting attendees for feedback and suggestions.</i></p>
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓		<p>Moved from Yes to Partly</p> <p>The Annual Report of the Committee is presented to full Council and addresses the key areas where the Committee should be held to account. This includes what impact the Committee has had on the improvement of governance, risk and control within the Council.</p> <p>This self-assessment also evaluates where the Council is adding value – see points 6 and 18.</p> <p>IMPROVEMENT ACTION: <i>The Audit and Governance Committee will consider how it can evaluate and demonstrate the value it adds to the Council as an item in the training session held prior to the June 2016 Committee. Feedback from this will inform the self-assessment</i></p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					<i>as necessary.</i>
20	Does the committee have an action plan to improve any areas of weakness?		✓		<p>Moved from Yes to Partly</p> <p>Each self-assessment of the Audit and Governance Committee has been supported by an action plan identifying areas for improvement.</p> <p>IMPROVEMENT ACTION: <i>The self-assessment action plan will become a standing agenda item in meetings between the Chair, Vice Chair and the Head of Internal Audit to ensure progress is made against the plan. Progress against the Action Plan will be reported to the Audit and Governance Committee.</i></p>

Section 2 – Areas where the Audit and Governance Committee can add value by supporting improvements					
Assessment key					
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.				
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.				
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.				
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.				
1	No evidence can be found that the audit committee has supported improvements in this area.				
Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
A	Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Providing robust review of the AGS and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting 	<ul style="list-style-type: none"> The AGS and supporting evidence is provided to the Committee and training session held for Members. Draft AGS is brought to the Committee in June ahead of the final version in September. Pro-active in requesting reports e.g. Governance Arrangements for Alternative Service Delivery Vehicles. 	4	ACTION: <i>Consider how the Committee can work with other Members to improve their understanding of the Code of Corporate Governance and the Annual Governance Statement and their contribution to it. This could include raising awareness through Cabinet and Scrutiny, for example, and will also need to address the requirement to update the Code of Corporate Governance</i>

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		<p>reviews/audits of governance arrangements.</p> <ul style="list-style-type: none"> Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Member/Officer Group on governance. Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process. 		<i>following the updated CIPFA guidance.</i>
B	Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls 	<ul style="list-style-type: none"> Audit and Governance Committee has received a report on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. (March 16 Committee) “Cardiff Checks” have been carried out as part of the 	5	The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		with appropriate senior managers.	<p>Counter Fraud Member/Officer Group work programme, the results of which have been reported back to the main Committee, giving assurance over the operation of controls in place.</p> <ul style="list-style-type: none"> ▪ The Committee continues to monitor the implementation of actions raised by the External Auditors and the AGS Action Plan. ▪ Audit and Governance Committee can request Senior Managers to attend meetings where there have been concerns raised over the implementation of agreed recommendations, although this has not been required in practice as yet. 		

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
C	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> ▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. ▪ Monitoring improvements. ▪ Holding risk owners to account for major/strategic risks. 	<ul style="list-style-type: none"> ▪ Regular risk management reports received at Committee, reviewing strategic (Corporate) risks. Also: regular reports on specific strategic (Corporate) risks and mitigating controls from risk owners. ▪ Monitoring the risk maturity assessment and associated action plans and development work. ▪ Member/Officer Group on Risk Management. 	4	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p> <p>The Chair and Vice Chair will also give consideration to inviting Corporate Risk owners to the Committee to present on the management of this level of risk.</p>
D	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> ▪ Specifying its assurance needs, identifying gaps or overlaps in assurance. ▪ Seeking to streamline assurance gathering and reporting. ▪ Reviewing the effectiveness of 	<ul style="list-style-type: none"> ▪ The Committee is proactive in requesting work and reports to ensure it receives assurances from across the Council. ▪ It receives the assurance framework for the AGS on an annual basis. ▪ The Work Plan presented to Committee demonstrates how 	4	No further actions proposed.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		assurance providers, e.g. internal audit, risk management, external audit.	<p>the assurance reports enable the Committee to meet its terms of reference.</p> <ul style="list-style-type: none"> The results of the review of the effectiveness of internal audit are reported to this Committee for consideration as part of the AGS process. 		
E	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements. 	<ul style="list-style-type: none"> The Committee reviews the audit charter and functional reporting arrangements. Internal Audit produces interim reports and an annual report, featuring their performance indicators. Member/Group on Audit & Accounts. 	4	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p> <p>The Internal Audit Charter will be reviewed following recent updates to the Public Sector Internal Audit Standards, updated as necessary and brought to Committee for approval.</p>

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
F	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> ▪ Responsibility for undertaking high level project/programme monitoring rests with the Executive Monitoring Board (EMB). ▪ The Committee receives update reports on the work of Internal Audit including key findings, issues of concern, and action in response to the findings and recommendations. The reports include relevant information regarding Internal Audit reviews of projects and programmes. ▪ The Committee received a presentation on the Council's Performance Management arrangements at the March 2016 meeting. 	4	No further actions proposed.
G	Supporting the	<ul style="list-style-type: none"> ▪ Ensuring that 	<ul style="list-style-type: none"> ▪ The Committee's Terms of 	4	

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
	development of robust arrangements for ensuring value for money.	<p>assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <ul style="list-style-type: none"> Considering how performance in value for money is evaluated as part of the AGS. 	<p>Reference include explicit reference to its role in reviewing and scrutinising value for money arrangements.</p> <ul style="list-style-type: none"> Annually the Committee considers the external audit conclusion on value for money. In September 2015 Grant Thornton confirmed that they would be issuing an unqualified VfM conclusion¹. Audit and Governance Committee has received a report on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. (March 16 Committee) 		

¹ Grant Thornton UK LLP, Audit Findings Report, 24th September 2015.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
			<ul style="list-style-type: none"> “Cardiff Checks” have been carried out as part of the Counter Fraud Member/Officer Group work programme, the results of which have been reported back to the main Committee. 		
H	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> Reviewing arrangements against the standards set out in CIPFA’s <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both 	<ul style="list-style-type: none"> The Committee receives the Informing the Risk Assessment for Cheshire East report that includes assurance with regard to management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. There is an annual report to the Committee on the effectiveness of the Whistleblowing Policy. Regular updates on anti- fraud arrangements. Member/Officer Group on Fraud. 	4	No further actions proposed

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		staff and governors.			
I	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. 	<ul style="list-style-type: none"> The Committee reviews and approves a number of public facing documents e.g. Financial Statements, AGS, Annual Report, and the Internal Audit Charter. As part of producing these documents, they are regularly reviewed against best practice and any required improvements are made to improve transparency and accountability. The Committee received a report on the Council's performance in relation to its obligations under the Data Protection Act (1998), the Freedom of Information (2000) including the Environmental Information Regulations in 	4	No further actions proposed.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
			<p>March 2015. This included reference to the Council's Transparency Project and forthcoming changes to the Data Protection regulations.</p> <ul style="list-style-type: none"> ▪ A report on the Council's compliance with the Regulation of Investigatory Powers Act (RIPA) (2000) was also taken to the March 2015 Committee. 		

Cheshire East Council

Audit and Governance Committee

Date of Meeting: 30th June 2016

Report of: Director of Legal Services

Subject: Audit and Governance Committee Terms of Reference

1. Report Summary

- 1.1 This report will enable the Committee to give consideration to its terms of reference and to determine whether any changes might be desirable.

2. Recommendation

- 2.1. That the Committee considers its current terms of reference and whether any changes would be desirable.
- 2.2. That, if changes should be made to the terms of reference, a report be brought back to the Committee's meeting in September which will enable an appropriate recommendation to be made to the Constitution Committee and Council.

3. Background

- 3.1. The Chairman and Vice Chairman of the Committee have asked that the Committee give consideration to whether or not any amendments should be made to its terms of reference.
- 3.2. The Committee's current terms of reference are appended to this report.
- 3.3. Committee's initial thoughts are invited upon whether or not any changes should be made to the terms of reference in order for a fully considered report to be brought back to the Committee's September meeting.

4. Wards Affected and Local Ward Members

- 4.1. All of the Borough's wards are indirectly affected.

5. Implications of Recommendation

- 5.1. **Policy Implications**

- 5.1.1. Any changes to the Committee's terms of reference will determine the Committee's powers and will influence its work until such time as they are amended.

5.2. Legal Implications

- 5.2.1. It is important for any proposed changes to be subject to legal consideration and, for that reason, it is recommended that the Committee's initial views are sought. Any proposals for change can then be properly drafted and brought back to the Committee to approve.
- 5.2.2. All committee terms of reference are embodied in the Council's Constitution, and any changes to them must be approved by Council following a recommendation of the Constitution Committee.

5.3. Financial Implications

- 5.3.1. No direct financial implications arise from the recommendations in this report. However, consideration will need to be given as to whether any emerging proposals for changes to the terms of reference have such implications.

5.4. Human Resources Implications

- 5.4.1. As per 5.3.1

5.5. Equality Implications

- 5.5.1. As per 5.3.1

5.6. Rural Community Implications

- 5.6.1. As per 5.3.1

5.7. Public Health Implications

- 5.7.1. As per 5.3.1

6. Risk Management

- 6.1. Until such time as any proposals for changes to the terms of reference emerge, associated risks cannot be assessed.

7. Background Papers

- 7.1. The Council's Constitution.

8. Contact Information

Contact details for this report are as follows:-

Name:	Bill Norman
Designation:	Director of Legal Services
Tel. No.:	01270 685850
Email:	Bill.norman@cheshireeast.gov.uk

Appendix

AUDIT AND GOVERNANCE COMMITTEE

11 Members

The Audit and Governance Committee, as with all of the Council's Committees, must be politically balanced. However, the success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.

The Committee is composed of 11 Members, comprising 10 members of the Council and one independent voting member (a member who is not a Councillor) with the Chairman and Vice-Chairman being appointed at full Council. The co-option of an independent member is intended to bring additional knowledge and expertise to the Committee and reinforce its political neutrality and independence. To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.

Statement of Purpose

1 The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

2 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

3 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

4 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

5 It promotes 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).

Functions

Governance, Risk and Control

6 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

7 To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into

account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

8 To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.

9 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

10 To monitor the effective development and operation of risk management in the council.

11 To monitor progress in addressing risk related issued reported to the committee.

12 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.

13 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

14 To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

15 To monitor the counter fraud strategy, actions and resources.

16 To advise the Executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.

17 To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Internal audit

18 To approve the internal audit charter.

19 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

20 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

21 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

22 To make appropriate enquiries of both management and the head of internal

23 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
- b) Regular reports on the results of the Quality Assurance and Improvement Programme.
- c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

24 To consider the head of internal audit's annual report:

- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
- b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

25 To consider summaries of specific internal audit reports as requested.

26 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

27 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

28 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

29 To support the development of effective communication with the head of internal audit.

30 To review and make recommendations to the Executive regarding the effectiveness of internal audit to include ensuring the internal audit function is

adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

External Audit

31 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

32 To consider specific reports as agreed with the external auditor.

33 To comment on the scope and depth of external audit work and to ensure it gives value for money.

34 To commission work from internal and external audit.

35 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

36 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

37 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

38 To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

Related functions

39 To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

40 To approve and monitor Council policies relating to "whistleblowing" and anti fraud and corruption.

41 To seek assurance that customer complaint arrangements are robust.

Standards Arrangements

42 The Committee is responsible for the Council's standards arrangements which seek to:

1. promote 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);
2. ensure that Members receive advice and as appropriate on the Members Code of Conduct; and
3. grant 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.

43 Council on 22nd October 2015 approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available from the Monitoring Officer.

Hearing Sub-Committee

44 The Hearing Sub-committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints under the procedure referred to in paragraph 43. It has 3 members drawn from a cross party panel of 15 members of the Council. An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

45 The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.

Cheshire East Council

Audit and Governance Committee

Date of Meeting:	30 th June 2016
Report of:	Director of Legal Services/Head of Governance and Democratic Services
Subject:	Appointment of Independent Person to the Audit and Governance Committee

1. Report Summary

- 1.1 The Council at its meeting on 22nd October 2015 amended the Audit and Governance Committee's membership to include the appointment of an independent person who is not an elected councillor.
- 1.2 The Committee is asked to consider the arrangements for appointing the independent person.

2. Recommendations

- 2.1 That
 - 1. 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; and
 - 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. Background

- 3.1 Council at its meeting on 22nd October 2016 considered a proposal that the Audit and Governance Committee's membership be increased from 10 to 11 to include an Independent Person.

Council resolved as follows:

"That the Audit and Governance Committee's terms of Reference be amended by the inclusion of the following wording as an introductory paragraph in the Constitution at the start of page 109:

“Membership (11)

The Audit and Governance Committee, like all of the Council’s Committees, must be politically balanced. However the success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.

The Committee is composed of 11 Members, comprising 10 members of Council and one independent voting member (a member who is not a Councillor) with the Chairman and Vice-Chairman being appointed at full Council. The co-option of an independent member will help to bring additional knowledge and expertise to the committee and also reinforce its political neutrality and independence. To ensure the Committee remains focussed on its assurance role any designated substitute must be appropriately trained.”

- 3.2 Except in relation to the consideration of code of conduct complaints, the co-option of an independent person to the Audit and Governance Committee is not a legal requirement. It is, however, considered to be beneficial to the Committee. The injection of an external view can often bring a new approach to committee discussions. Local authorities that have chosen to recruit independent members have done so to bring additional knowledge and expertise to the committee; and to reinforce the political neutrality and independence of the committee.

Recruitment Process

- 3.3 CIPFA has provided guidance in relation to the recruitment of independent persons to audit committees.
- 3.4 The job description of the independent member should be drawn up and agreed before commencing recruitment. The requirement for relevant knowledge or expertise should be clearly determined. Vacancies should be publicly advertised, as is good practice for any public appointment. Candidates should be able to demonstrate their political independence and their suitability should be checked.
- 3.5 Independent members’ appointments should be for a fixed term and be formally approved by the local authority’s council. Provision should be made for early termination and extension to avoid lack of clarity in the future. While operating as a member of the audit committee, the independent member should follow the same code of conduct as elected members.

- 3.6 The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.
- 3.7 The Audit and Governance Committee at its meeting on 24th September 2015 considered a procedure for the recruitment of Independent Persons to Cheshire East Council for the purpose of considering code of conduct complaints. The report included a copy of the proposed application form, a person specification and recruitment timetable. The proposed recruitment process outlined in the report was approved and the Director of Legal Services was asked to submit a report to Council on 17th December 2015 setting out the names of the nominated candidates for approval.
- 3.8 It is proposed that a similar process be adopted for this appointment except that the Committee itself will be asked to approve the co-option of the independent person at its next meeting.
- 3.9 It will be necessary for the independent person to receive appropriate training to take an active part in the work of the Committee.

A note about the voting rights of independent members

- 3.10 The Council on 22nd October 2015 resolved that the independent member be a voting member. However, the authority should have regard to section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. In essence, where a committee is acting in an advisory capacity and making recommendations, all members of the committee should be able to vote on the recommendation. Where the Council has delegated to the Committee decisions such as the adoption of financial statements, the independent member should not be able to vote on those matters.

4 Wards Affected and Local Ward Members

No direct impacts for wards or local ward members arise as a consequence of the proposals contained in this report.

5 Implications of Recommendation

5.1 Policy Implications

The proposals contained within this report seek to bring apply best practice in relation to audit committees.

5.2 Legal Implications

In making its decision the Constitution Committee and then the Council will be required to have regard to the New Council Constitution Guidance 2000 and amendments, the Local Government Act 1972, the Local Authorities (Standing Orders) Regulations 1993 and 2001, the Localism Act 2011 and the Public Contracts Regulations 2015.

5.3 Financial Implications

No direct financial implications arise as a consequence of the proposals contained in this report.

5.4 Equality Implications

No equality or diversity implications would appear to arise as a consequence of the proposals contained in this report.

5.5 Rural Community Implications

This report has no direct implications for rural communities.

5.6 Public Health Implications

This report has no direct implications for public health.

6 Risk Management

6.1 No risks would appear to arise from the report's recommendations.

7 Background Papers

None

Contact Information

Contact details for this report are as follows:

Name:	Paul Mountford
Designation:	Governance and Democratic Services
Tel. No.:	01270 686472
Email:	paul.mountford@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30 June 2016
Report of: Corporate Manager Governance and Audit
Title: Work Plan 2016/17
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 The report presents an updated Work Plan (Appendix A) to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:
- consider the Work Plan and determine any required amendments;
 - note that the plan will be brought back to the Committee throughout the year for further development and approval.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to enable the Committee to fulfil 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 (Authorised by the Chief Operating Officer)

- 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 (Authorised by the Head of Legal Services)

- 8.1 The Work Plan for 2016/17 takes account of the requirements of the Accounts and Audit Regulations 2015.

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

10.0 Background and Options

- 10.1 Aspects of the Audit and Governance Committee agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work Plan (Appendix A) and establish any amendments that will enable it to meet its responsibilities.

- 10.2 In order to help with their deliberations, Members are asked to consider whether:

- the inclusion of each item on its agenda results in added value; as
 - 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; as
 - an audit committee should operate at a 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.

10.3 The Work Plan will be re-submitted to the Committee 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:

Name: Michael Todd/Josie Griffiths

Designation: Principal Auditor

Tel No: 01270 686226/685860

Email: michael.todd@cheshireeast.gov.uk
josie.griffiths@cheshireeast.gov.uk

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Work Plan 2016/17

		Terms of Reference - May 2014	
Agenda Item	Description	No	Detail
30th June 2016			
Review of the Committee's Terms of Reference	To consider the outcome of the Committee's review of its current Terms of Reference.	39	To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
External Audit – Update Report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Internal Audit Annual Report 2015/16	Opinion on the overall adequacy and effectiveness of the Council's control environment for 2015/16.	24	<p>To consider the head of internal audit's annual report:</p> <p>a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.</p> <p>b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.</p>

Work Plan 2016/17

Draft Annual Governance Statement (AGS) 2015/16	Draft AGS 2015/16 for comment/agreement; final version to be approved at September meeting.	6	To review the Council's corporate governance arrangements against the Good Governance Framework and consider annual governance reports and assurances.
		7	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
Draft Pre-Audit Statement of Accounts 2015/16	This report introduces the 2015/16 pre-audit statement of accounts to the Committee for consideration and comment.	36	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
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 2015/16.	40	To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption.

Work Plan 2016/17

Audit and Governance Committee Self-Assessment	Self- assessment of the effectiveness of the Committee, which feeds into the AGS process.	28	To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
Risk Management Update Report	Update report on Risk Management deferred from March 2016 at the request of Management Group Board to allow a workshop to be held to facilitate a detailed review of Corporate Risks.	10 11	To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related issues reported to the committee.
Lifelong Learning External Audit Report	To receive an update on the results of an audit of the Lifelong Learning team.	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee. Approved WARNs will also be presented as a Part 2 item.		As requested by Members at December 2015 meeting
Work Plan.	Forward looking programme of meetings and agenda items 2016/17 to ensure comprehensive coverage of the Committee's responsibilities.	All	
29th September 2016			
External Audit – Audit Findings Report 2015/16	Summary of findings from the 2015/16 audit and key issues identified by External Audit in issuing their opinion on the Council's financial	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Work Plan 2016/17

	statements and its arrangements for securing economy, efficiency & effectiveness in the use of resources.	8 31	<p>To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.</p> <p>To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance</p>
2015/16 Audit Findings and Action Plan	This report sets out the management response to the 2015/16 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee.	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
Audited Statement of Accounts 2015/16	Approval of the Audited Statement of Accounts for 2015/16	36	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
Annual Governance Statement 2015/16	Annual Governance Statement 2015/16 for approval alongside the financial statements.	6 7	<p>To review the Council's corporate governance arrangements against the Good Governance Framework and consider annual governance reports and assurances.</p> <p>To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and</p>

Work Plan 2016/17

		8	effectiveness of the council's framework of governance, risk management and control. To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2015/2016	Summary of formal feedback received from customers during 2015/16 together with a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for 2015/16.	41	To seek assurance that customer complaint arrangements are robust.
Treasury Management Update Report	Update report on Treasury Management	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Risk Management Policy Review.	A report on a review of the Risk Management Policy.	10	To monitor the effective development and operation of risk management in the council.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 2016/17	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		21	To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.

Work Plan 2016/17

		23	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
		25	To consider summaries of specific internal audit reports as requested.
Members' Code of Conduct: Standards Report	The report gives details of the numbers and outcomes of complaints under the Code of Conduct for Members on the period being reported on.	5	To promote 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).
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee. Approved WARNs will also be presented as a Part 2 item.		As requested by Members at December 2015 meeting

Work Plan 2016/17

Work Plan.	Forward looking programme of meetings and agenda items 2016/17 to ensure comprehensive coverage of the Committee's responsibilities.	All	
<i>It should be noted that the following items will be presented to the Committee but have not, as yet, been allocated to a specific agenda</i>			
Review of the Code of Corporate Governance	<p>In response to the CIPFA/SOLACE review of the <i>Framework: Delivering Good Governance in Local Government</i> to ensure that it remains 'fit for purpose'.</p> <p>The finalised Framework and new guidance will be published early next year, with current expectations that organisations would produce their 15/16 AGS with reference to the new guidance.</p>	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Review of the Council's procurement arrangements	An audit of the Council's procurement arrangements will be resumed following the completion of the current police investigation. The findings of this audit will be shared with the Committee.	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
Fraud Update	Presentation on the latest national and local situation with regards to countering fraud and corruption.	13 14 15	<p>To review the assessment of fraud risks and potential harm to the Council from fraud and corruption</p> <p>To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.</p> <p>To monitor the counter fraud strategy, actions and resources</p>

Work Plan 2016/17

<i>It should be noted that the following items may require reports to the Committee but has not, as yet, been allocated to a specific agenda</i>			
Value for Money Arrangements.	Assurance with regard to both the arrangements to ensure value for money and the progress in achieving value for money.	8	<p>To consider the Council's arrangements to secure value for money and to review and scrutinise assurance and assessments on the effectiveness of these arrangements.</p> <p>At the request of Members in March 2015.</p> <p>Subject to an exercise to benchmark what assurance other Audit Committees receive. Future reporting requirements will also be determined in the context of what other Committees of the Council are doing.</p>
Work Programme for Member/Officer Working Groups	<p>Forward looking programme of meetings and agenda items to:</p> <ul style="list-style-type: none"> • enable individual Members to become more involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise • address some of the more time consuming aspects of the Committee's work. • ensure that the Committee continues to work effectively and fulfils its purpose. 		At the request of Members in September 2015.
Feedback from Member/Officer Working Groups	The outcome of Member/Officer Groups work which, where possible, will be fed back to the Committee during the relevant agenda item. However, some of the feedback may, at the		At the request of Members in September 2015.

Work Plan 2016/17

	request of the Committee, require specific reports.		
Emerging Issues Report.	A report from the External Auditor highlighting emerging national issues and developments which might be of relevance to Cheshire East.	31	To consider the external auditor's annual report, relevant reports, and the report to those charged with governance.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 30th June 2016
Report of: Chief Operating Officer
Title: Waivers and Non Adherences (WARNs)
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

1.1 The purpose of the report is to:

- i) update the Audit and Governance Committee on the quantity and reasons for Waiver and Non Adherences (WARNs) which have been approved between February to May 2016.
- ii) present the approved WARNs to the committee for review.

2.0 Recommendation

2.1 That the Committee:

- i) note the quantity and reasons for the WARNs
- ii) note the approved WARNs between 1st February 2016 and 31st May 2016

3.0 Reasons for Recommendation

3.1 The Audit and Governance Committee has a key role in overseeing governance arrangements and ensuring the Council has appropriate policies and mechanisms to safeguard resources in place.

3.2 It is a requirement of the Audit and Governance Committee to review all approved WARNs from February to May 2016.

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 (Authorised by the Chief Operating Officer)

- 7.1 As per the Council's Constitution (Finance Procedure Rule B25), Management Group Board are responsible for working within their respective budget limits and to utilise resources allocated to them, and further to allocate resources in the most efficient, effective and economic way.
- 7.2 Along with comments from Procurement and Legal Officers, Finance Officer's are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard (e.g. that the relevant Service has identified sufficient existing budget to cover the proposal; and also that the Service has considered how to achieve best value for money via this particular recommended course of action). Finance Officers will also advise if other actions are required (e.g. transfer of budget from one area to another, to meet any further expenditure requirements) again to comply with and utilise the provisions in the Finance Procedure Rules.

8.0 Legal Implications (Authorised by the Director of Legal Services)

- 8.1 All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner. When commissioning goods or services employees must comply with both the Public Contracts Regulations 2015 and the Councils Contract Procedure Rules (the Rules).
- 8.2 It is strongly expected that the Rules will be followed in all cases with very limited exceptions, however, in the event that a Commissioning Officer believes a waiver to these Rules is essential to the efficient running of the Service they must seek a waiver by producing a report that must be approved by the Chief Operating Officer and the Director of Legal Services and Monitoring Officer. The report must be in accordance with the prescribed format. The format of the report shall be determined by the Procurement Manager, and must be used in line with any associated guidance published.
- 8.3 Advice and guidance must be sought from the Procurement Manager prior to submission of the waiver form to the Chief Operating Officer and Director of Legal Services and Monitoring Officer. If approval is granted, it is still required that an appropriate contract be entered into prior to any requirements being provided by the provider. The waiver of these Rules and the reason(s) for the waiver shall be clearly recorded and reported to the Procurement Board.

The only exception to the above is for instances of extreme urgency, where there is an immediate risk to life, property or an individual's safety and wellbeing, and any inaction by the Authority (related to risks to safety and wellbeing) would be a breach of our statutory duty and obligations. The agreement of the Procurement Manager must be sought prior to any action being taken except where the nature of the urgency and risk renders this impractical. Such instances must be reported at the earliest opportunity, retrospectively, to the Chief Operating Officer, Director of Legal Services and Monitoring Officer and the relevant Chief Officer following the incident.

9.0 Risk Assessment

- 9.1 Item 18 on the Council's Corporate Risk Register considers Governance. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing significant financial and reputational risk to the Council. This includes procurement processes.
- 9.2 The corporate risk is owned by the Chief Operating Officer and at the last review was rated as a nine (where 0 is the lowest rating and 16 is the maximum level).

10.0 Background

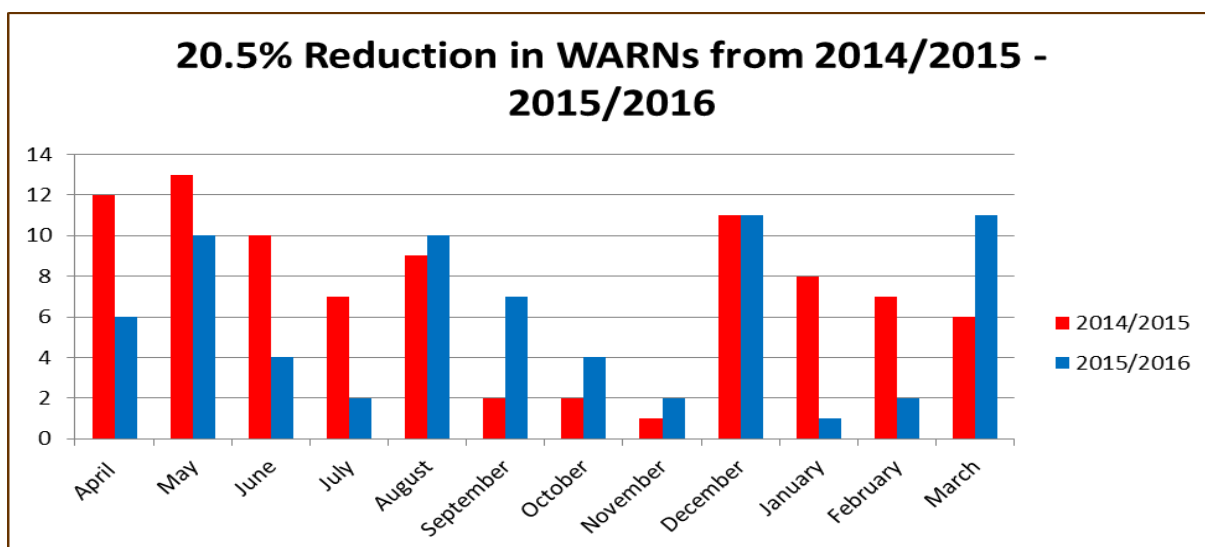
- 10.1 All WARNs approved in the period between the Audit and Governance Committee will be presented to the following Committee. However the cut off period for reporting the WARNs will be the end of the month previous to writing the report. The cut off period for this report is the 31st May 2016.
- 10.2 The number of WARNs being presented to the June Audit and Governance Committee is 25, 20 waivers to the Contract Procedure Rules and 5 non adherence.
- 10.3 All WARNs will be presented to the Audit and Governance Committee without any information being redacted. However they will be presented in part 2 of the Committee as they may contain commercially sensitive information or Officer details below the salary grade Cheshire East release under FOI. The main report will be will be presented in part 1.
- 10.4 All WARNs are analysed and presented to the Procurement Board where trends are identified and solutions put in place for repeat WARNs is category areas. The most recent example of this is a new contract for consultancy, which has been approved with NEPRO using the NEPO (North East Purchasing Organisation) framework which will help the Council to achieve better value for money and also improve transparency and control of consultancy activity. Procurement has been trialling the NEPRO contract since March 2016 and have already seen some significant benefits. These include
1. Increased compliance by ensuring business cases are completed for new consultancy requirements focussing on the key activities and outputs.
 2. The use of a compliant procurement approach for consultancy and a significant reduction in the need for WARNs. Only one approved so far for 2016/17.
 3. £130,000 saving for the three projects awarded against a budget of £520,000 (25%).
 4. Positive user feedback from the services who have procured using NEPRO.
 5. Efficiency savings in time and resources. Projects are able to be procured within 2 weeks rather than the average time of 3 months plus.

10.6 The WARN process records the following;

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with 5.2.1 of the Contract Procedure Rules.
- Non Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with 5.3.1.

10.7 A summary of WARN's for the period 2014-2015 and 2015-2016 is set out below:

WARNs	2014-2015	2015-2016	2016 -17 e.g. April 16 to end May
Non Adherence to CPRs	20	25	4
Waiver to the CPR's	62	45	8
Grand Total	88	70	12



The number of WARNs for the period April 2015 to March 2016 has reduced by 20.5% compared to the same period the previous year. This is due to forward planning using the contracts register to drive procurement activity.

The number of WARNs per service area and the reasons is detailed below.

April 2015 – March 2016 WARNs Per Service

Row Labels	Waiver to Requirements of Competition	Non Adherence to CPRs	Grand Total
Children's	8	8	16
Strategic & Economic Planning	9	3	12
Adults	3	5	8

Strategic Housing	5		5
ICT Strategy	3	2	5
HR Strategy	3	1	4
Safer and Stronger Communities	2	2	4
Public Health	3		3
Revs & Bens	1	1	2
Environmental Health	2		2
Planning	2		2
Democratic Services		2	2
Tatton Park		1	1
Finance	1		1
Communication team	1		1
Regeneration	1		1
Life Long Learning	1		1
Grand Total	45	25	70

April 2016 – May 2016 WARNs Per Service

Row Labels	Waiver to Requirements of Competition	Non Adherence to CPRs	Grand Total
Children's	2	1	3
Safer and Stronger Communities	1	1	2
ICT Strategy	2		2
Planning	1	1	2
Public Health	1		1
Tatton Park	1		1
HR Strategy		1	1
Grand Total	8	4	12

10.8 There are currently 20 WARNs in progress, 15 non adherences and 5 waivers and of these 3 have been unresolved since 2015. Procurement is actively chasing these WARNs and has escalated to the relevant Chief Officers.

10.9 It is anticipated that WARNs will increase during 2016 – 2017 due to the transfer of CoSocius ICT to Cheshire East on the 1st of April 2016. There are currently 5 WARNs which are in process for ICT Service.

11.0 Access to information

Name: Lianne Halliday
 Designation: Procurement Manager
 Tel No: 01270 685766
 Email: lianne.halliday@cheshireeast.gov.uk

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