

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 16th March, 2017 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)
Councillor D Marren (Vice-Chairman)

Councillors S Corcoran, L Gilbert, A Kolker, N Mannion, Nicholas, M Sewart,
M Simon and A Stott

Councillors in attendance:

Councillors C Andrew and P Findlow

Officers in attendance:

Suzanne Antrobus	Legal Team Manager
Joanne Butler	Business Manager
Peter Bates	Chief Operating Officer
Janet Ellison-Jones	Procurement Category Manager
Lorraine Goude	Interim Director of Commissioning
Josie Griffiths Principal	Auditor, Shared Services and Partnerships
Guy Kilminster	Corporate Manager Health Improvement
Steve Mellor	Procurement Category Manager
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 Manager
Alex Thompson	Head of Finance and Performance
Michael Todd	Principal Auditor Fraud
Steve Wilcock	Finance Lead

External Auditor

Alison Rhodes of Grant Thornton

58 APOLOGIES FOR ABSENCE

There were no apologies for absence.

59 DECLARATIONS OF INTEREST

Councillor D Marren declared a personal interest by virtue of being Chair of Orbitas Bereavement Services.

60 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

61 MINUTES OF PREVIOUS MEETING

An amendment was made to the preamble of Minute 48 (Internal Audit Interim Report 2016/17 and Internal Audit Charter) to reflect that the Internal Audit Charter was withdrawn from discussion prior to the meeting.

RESOLVED

That the minutes of the meeting held on 8 December 2016 be approved subject to the addition of the following wording to the preamble of Minute 48 (Internal Audit Interim Report 2016/17 and Internal Audit Charter) *'The Committee was advised that the Internal Audit Charter had been withdrawn from discussion at this meeting'*.

62 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE - UPDATE

Philip Gardener was introduced to the Committee as the newly Co-opted Independent Member on the Committee. The person specification and role had been drawn up in accordance with best practice from other authorities and the Chartered Institute of Public Finance and Accountancy.

RESOLVED

That approval be given to Philip Gardener as the Co-opted Independent Member on the Audit and Governance Committee.

63 GRANT THORNTON 2016/17 AUDIT PLAN FOR CHESHIRE EAST COUNCIL

Consideration was given to the Audit Plan for the year ending 31 March 2017 setting out the work to be carried out by Grant Thornton the Council's External Auditors. Alison Rhodes from Grant Thornton outlined the work detailed in the Appendix to the report and it was confirmed that the results of interim work carried out to date had not found any particular issues that needed to be highlighted to the Committee at this time.

RESOLVED

That the Audit Plan for 2016/17 be received

64 EXTERNAL AUDIT RISK ASSESSMENT FOR CHESHIRE EAST

The Committee considered the management's response to a series of questions posed by the External Auditor as part of the effective two way communications between the auditors and the Committee. Included were areas of risk assessment covering fraud, laws and regulations, going concern, accounting estimates and related party transactions.

With reference to financial resilience and projected significant funding gaps, a Member asked if this could be amended in the light of the Council having a balanced budget. The Committee was advised that it needed to remain as the financial challenge from Central Government was ongoing and that the risk would, therefore, remain for a considerable time ahead.

RESOLVED

That the report be noted.

65 RISK MANAGEMENT UPDATE

The Committee considered this report on the most significant corporate risks to achieving the Council's desired outcomes in the Corporate Plan 2016-20. The report indicated those areas where it was considered new risks would arise, and also the resulting opportunities; there had been no significant movement in the risks since the previous update.

In addition, and in accordance with the request made at the last meeting, the risk owners of the two highest corporate risks attended the meeting to explain their specific risks and threats further. In considering the factors contributing to the position in CR1 (Increased Demand for People Services) a discussion ensued on the associated impact on CR3 (Financial Resilience) as demand for services continued to increase. Whilst Officers considered this to be significant it was also acknowledged it could change rapidly, and also decrease, in response to national, regional and local pressures and that as a result the score in the table of risks should be reduced slightly. The articulation of the risk description would be updated to reflect the current position.

The causes of the risks for CR2 (NHS Funding and the Sustainability and Transformation Plan) were explained with reference to the financial impact, health inequality and the provision of services. The Committee was advised of future planned actions.

For the next meeting of the Committee Members asked for briefings to be given on the risks in respect of Brexit.

RESOLVED

1. That the report be noted.
2. That a briefing on Brexit be provided at the next meeting of the Committee.

66 MEMBERS CODE OF CONDUCT STANDARDS REPORT

The Committee considered a report on the number of complaints received under the Code of Conduct for Members and considered by the Director of Legal Services in his capacity as Monitoring Officer. The report divided the numbers between those against Cheshire East Councillors and those against Town/Parish Councillors for the period 1 September 2016 – 28 February 2017.

RESOLVED

That the report be noted.

67 COMPLIANCE WITH DATA PROTECTION ACT (1988), FREEDOM OF INFORMATION ACT (2000) AND ENVIRONMENTAL INFORMATION REGULATIONS (2004)

Consideration was given to an update on the performance of the Council in responding to requests under the above Acts. In addition information was given on changes to data protection regulations due to come into force on 25 May 2018.

RESOLVED

That the performance of the Council in responding to requests for information, and the ongoing and future events, be noted.

68 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT (2000) (RIPA)

A report had been prepared to update the Committee on the arrangements in place, and on how the Council had complied with RIPA legislation during 2016/17. It also detailed the number of applications authorised to date.

RESOLVED

That the report be noted.

69 INFORMATION GOVERNANCE UPDATE

The Committee received a presentation on the rise of global cyber threats, malware attacks and on the Council's Data Classification tool. It was informed that the incidence of such attacks was growing worldwide but by the introduction of layered security, the careful protection of data, and ongoing awareness training, major problems had been averted across Cheshire East and Cheshire West and Chester Councils.

Some of the specific systems in operation were explained further and Members were advised these were continually evolving, being assessed and reviewed in continuing efforts to protect both data and users.

RESOLVED

That the presentation be noted.

70 INTERNAL AUDIT INTERIM REPORT 2016/17

Consideration was given to an update on progress against the Internal Audit Plan 2016/17, and to the work undertaken between October and December 2016. In considering ongoing work it was reported that as agreed at the December 2016 Committee terms of reference for a new procurement audit had been produced to provide assurance that current arrangements were appropriate and effective. These had been shared with both the External Auditor and the Senior Investigating Officer for the ongoing police investigation; the audit was reported to be underway and expected to be completed by the end of the month.

In discussing the progress of the procurement review reference was made to a recent Cabinet report prepared by the Reassurance Group on the outcome of

work to provide assurance that the wellbeing of staff was aligned to best practice and organisational values. Some members expressed concern at statistics in the report related to bullying and asked for further investigations to be made. The Portfolio Holder disagreed with their interpretation of the statistics and further advice was given that there were procedures in place to deal with such concerns. In addition the current investigations needed to be allowed to report back with their findings at which time any further appropriate action could be considered by the Committee.

RESOLVED

That the report be noted and the approach to achieving adequate audit coverage in the remainder of 2016/17 be endorsed.

71 INTERNAL AUDIT PLAN 2016/17

The Committee considered the Internal Audit Plan for 2017/18 taking into account whether the scale and breadth of activity was sufficient to allow internal audit to provide an independent and objective audit opinion that could be used to inform the Annual Governance Statement, the level of resources, and whether the level of non- assurance work had an impact on core assurance work.

The Committee discussed the independence of Internal Audit and asked for further consideration to be given as to who was the most appropriate Portfolio Holder for the service; currently it rested with the Leader of the Council. The Portfolio Holder for Corporate Policy and Legal Services agreed to ask Cabinet to consider this further.

Consideration was given to the relationship between the Internal Audit Plan and the Committee Work Plan and it was agreed that an item be placed on the latter for Internal Audit to complete its own procurement audit at the conclusion of any criminal investigation.

RESOLVED

1. That the Summary Internal Audit Plan 2017/18, shown in Appendix A of the report, be approved.
2. It be noted that the plan will be developed and refined throughout the coming year as a number of factors progress and the impact on the level of audit resource becomes known.
3. That Cabinet be asked to consider further the most appropriate Portfolio Holder for the for the internal audit service.
4. That an item be added to the Committee Work Plan for internal audit to complete its halted procurement audit at the conclusion of any Criminal Investigation.

72 ASDV GOVERNANCE ARRANGEMENTS

Councillor D Marren had declared an interest in this item. At the commencement of this item Councillor A Kolker declared a personal interest by virtue of being Chair of Everybody Sport and Leisure, and of being Chair of Civiance.

The Committee received a presentation on the arrangements in place to ensure the Council's ASDVs were subject to appropriate governance and that controls were in place to manage risk. At present the ASDVs comprised an independent Charitable Trust ESAR (Everybody Sport and Recreation), a wholly owned company Tatton Park Enterprises Ltd, and a holding company Cheshire East Residents First Ltd (CERF) which held an 80% shareholding in ANSA, Orbitas, Transport Service Solutions, The Skills and Growth Company, Civicance, and Engine of the North.

Members were advised on the governance framework for ESAR and that this differed from that for the owned companies which included Articles of Association, the Directors Mandate and the Shareholders Agreement and their respective arrangements with the Council and with (CERF), with monitoring and oversight of performance and financial performance.

The Committee was advised that the companies had performed very successfully so far from the aspects of both service and finance and this was the time to review their further development. A review of CERF was underway and included looking at the appropriateness of the governance arrangements to ascertain the optimum governance approach for the ASDVs in the light of experience to date.

RESOLVED

That the presentation be received.

73 WORK PLAN 2016/17

Consideration was given to the Committees Work Plan. Earlier in the meeting (Minute 71 refers) it was agreed that item be added for Internal Audit to complete its own procurement audit at the conclusion of any criminal investigation.

RESOLVED

That the Work Plan be approved subject to the above addition.

74 WAIVERS AND NON ADHERENCE NOTIFICATIONS

Consideration was given to a report on the quantity and reasons for Waiver and Non Adherences (WARNs) approved between 1 November 2016 and 31 January 2017. The Committee was informed that non adherences had increased due to the control mechanisms now in place that enabled the procurement function to capture non compliance within services, the workflow threshold having decreased from £10k to £5k. The number of waivers had decreased largely as result of the new contract for consultancy NEPRO (North East Purchasing Organisation) and an explanation was given of how this operated.

RESOLVED

That the report be noted.

75 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

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

76 WAIVERS AND NON ADHERENCE NOTIFICATIONS

The Committee considered details of the approved WARNs issued between 1 November 2016 and 31 January 2017.

The meeting commenced at 2.00 pm and concluded at 5.50 pm

Councillor G Baxendale (Chairman)