

Audit and Governance Committee

Agenda

Date:	Thursday 28th September 2017
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 top of each report.

It should be noted that Part 1 items of Cheshire East Council decision making and Overview and Scrutiny meetings are audio recorded and the recordings will be uploaded to the Council's website.

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.

For requests for further information

Contact: Gaynor Hawthornthwaite

Tel: 01270 686467

E-Mail: Gaynor.hawthornthwaite@cheshireeast.gov.uk with any apologies

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.

4. **Minutes of Previous meeting** (Pages 5 - 10)

To approve the minutes of the meeting held on 1st June 2017 as a correct record.

5. **Grant Thornton - Audit Findings and Action Plan Report 2016/17**
(Pages 11 - 12)

To consider the report of Grant Thornton, the external auditors, on their findings from the 2016/17 audit

(Appendix to follow)

6. **2016/17 Statement of Accounts** (Pages 13 - 14)

To consider the report and note the changes to the draft accounts in accordance with the audit findings report.

7. **Treasury Management Annual Report 2016/17** (Pages 15 - 32)

To consider a report on the performance of the Council's treasury management operation for 2016/17.

8. **Update on Air Quality Data Internal Audit Report** (Pages 33 - 40)

To consider a report which details the management actions agreed following the Internal Audit review of Air Quality Management.

9. **Annual Governance Statement 2016/17** (Pages 41 - 82)

To approve the Annual Governance Statement for 2016/17.

10. **Audit and Governance Committee Annual Report 2016/2017** (Pages 83 - 102)

To consider the Committee's draft annual report for 2016/17 prior to it being considered at the Council meeting on 19th October 2017.

11. **Report on Customer Feedback - Complaints, Compliments and Referrals to Local Government Ombudsman 2016/17** (Pages 103 - 116)

To consider a report on the complaints, compliments and referrals to the Local Government Ombudsman for 2016/17.

12. **Members' Code of Conduct: Standards Report** (Pages 117 - 122)

To consider a report on the number of complaints received under the code of conduct for Members which have been, or are to be considered by the Acting Director of Legal Services (in his capacity as the authority's Monitoring Officer) and the Independent Person for the period 1 March 2017 to 31 August 2017.

13. **Whistleblowing Arrangements** (Pages 123 - 128)

To consider a report on the number of 2016/17 reports and an update on a forthcoming independent review of the Council's whistleblowing arrangements.

14. **Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards** (Pages 129 - 158)

To consider a report which provides an update on the Independent Public Sector Internal Audit Standards external assessment, scheduled to take place later in 2017/18.

15. **Work Plan 2017/18** (Pages 159 - 170)

To consider the Committee Work Plan and any required amendments.

16. **Waivers and Non Adherences**

To receive an update on the quantity and reasons for the issue of WARNs approved between the 1st of February 2017 and the 31st of August 2017.

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

The reports relating to the remaining items 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 matters 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 items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve 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

18. Waivers and Non Adherences

To note the approved WARNS issued between the 1st of February 2017 and the 31st of August 2017.

CHESHIRE EAST COUNCIL

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

PRESENT

Councillor G Baxendale (Chairman)

Councillors R Fletcher, L Gilbert, N Mannion, G Merry, A Stott, S Edgar and D Flude.

Councillors in attendance:

Councillors P Bates and P Groves

Independent Co-opted Member

Philip Gardener

Officers in attendance:

Joanne Butler	Business Manager
Daniel Dickinson	Legal Team Manager Corporate and Regulatory
Josie Griffiths	Principal Auditor Shared Services and Partnerships
Andrew Round	Director of Growth and Regeneration
Alex Thompson	Head of Finance and Performance
Michael Todd	Principal Auditor Fraud
Jo Wilcox	Corporate Finance Manager
Jan Willis	Interim Section 151 Officer

External Auditors

Alison Rhodes and Jon Roberts of Grant Thornton

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors S Corcoran, T Dean, A Kolker and M Sewart.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

4 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 16 March 2017 be approved as a correct record.

5 RISK MANAGEMENT UPDATE REPORT

Consideration was given to this report on the most significant threats and opportunities faced by the Council in achieving the aims of the Corporate Plan for 2016 – 2020.

In response to a previous request of the Committee, the Director of Growth and Regeneration gave a briefing on Risk CR01 – EU Exit. This included how risks were articulated and included reference to the EU Exit, the Single Market and Local Growth; a deeper analysis of the risks associated with the Councils Local Plan was also given and this covered the areas of business, interaction with local companies, wider regional interactions and EU funding. It was appreciated that as the negotiations had not yet commenced this was an evolving situation.

Members expressed concern regarding the possible effects on NHS staffing and the care sector generally, and also on larger businesses especially some in the Crewe area that relied heavily on migrant workers. It was agreed that the ongoing review of these risks be carried out by the appropriate Officer/Member Working Group.

RESOLVED

That the report be noted and that the risks in respect of CR01 – EU Exit continue to be monitored by the appropriate Officer/Member Working Group.

6 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

Grant Thornton updated the Committee on their report for the year ended 2017, and the planned fee for letter for 2017/18. Members were advised that work was on track and additional findings since the last meeting were detailed. Final account work was due to commence on 5 June.

The report included an update on the Value for Money conclusion. Members explored the significant risks identified in respect of changes to the Executive Leadership Team, and working with partners from different organisations and service areas with potentially conflicting priorities and financial challenges resulting in projects being increasingly complex and high profile.

RESOLVED

That the report be noted.

7 INTERNAL AUDIT ANNUAL REPORT 2016/17

Consideration was given to the Annual Internal Audit Report for 2016/17 which provided the Internal Audit Opinion on the overall adequacy and effectiveness of the Council's control environment i.e. governance, risk management and control. and is timed to inform and support the production of the Annual Governance Statement.

The report also included details of work completed by Internal Audit during the year and provided additional information relating to those audits where limited or no assurance was provided. Members asked a number of questions relating to these pieces of work, in particular the review of Air Quality Management.

It was noted that as with the previous year, despite the ongoing staffing position, adequate internal audit coverage had been provided upon which to base the Annual Opinion. Members were updated regarding this issue and advised that they would be kept updated.

RESOLVED

That the report be noted.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17

The Committee was asked to consider the draft Annual Governance Statement (AGS) for 2016/17 setting out how the Council complied with its own governance arrangements, monitored their effectiveness, and also proposed improvements or changes for the forthcoming year. Members were advised that there would be a workshop session on the AGS prior to its final consideration by the Committee at its next meeting.

The Committee received clarification on a number of points including changes to the Whistleblowing Policy, how standards complaints were currently administered, and the outcome of the staff survey on which it was reported additional work was to be carried out. Consideration was also given to the ongoing review of the CERF Ltd group of companies the results of which were due to be considered by the Cabinet at the end of the year.

RESOLVED

That the draft Annual Governance Statement for 2016/17 be noted, and that the final AGS be considered by the Committee at its meeting in September.

9 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2016/17

A presentation was given on the draft Pre-Audit Statement of Accounts 2016/17 for the Cheshire East group of companies and for the Council as a single entity. Members were advised that this, and the Annual Governance Statement, were both due to be published on the Council's website at the end of the month, and that an outturn report on its financial and non-financial performance was due to be considered by the Cabinet at its meeting on 13 June.

This year, for the first time, information in respect of the Skills and Growth Company and Cosocius had been included. The aim of the document was to 'Tell a Story' and to provide information that would be useful to a wide range of interested parties with the purpose of giving clear information on the Group's consolidated finances, the cost of the services, where the money came from, significant events in that year and net worth.

RESOLVED

That the report, and the summarised position of the accounts for the year ended 31 March 2017, be noted

10 AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT

The Committee considered the results of the self assessment of its effectiveness carried out by the Chairman and the Vice-Chairman in accordance with the 2013 edition of the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police'.

Tabulations gave a resume of the assessment against (1) the Good Practice questions, and (2) Evaluation of the Effectiveness of the Audit Committee; these were supported by a copy of the detailed self assessment document.

In considering any action to be taken it was agreed that, arising from the need for members of the Committee to receive formal training prior to being able to participate at any meeting, consideration be given to the appointment of formal substitutes to the Committee. Also it was noted that further consideration was to be given to the subjects covered, and the representation on the Member/Officer Working Groups to see if they needed redefining. Further reports on both these matters would be submitted to future meetings of the Committee.

RESOLVED

1. That the Audit and Governance Committee Self Assessment be noted.

2. That further reports on the appointment of formal substitutes, and on Member/Officer Working Groups, be submitted to a future meeting of the Committee.

11 NOTICE OF MOTION - MEMBERSHIP OF FREEMASONS

Prior to the commencement of discussion on this item Councillor G Merry declared a non pecuniary interest by virtue of being married to a Freemason.

The Committee was asked to respond to a Notice of Motion, submitted to the Council at its meeting on 15 December 2016, that all Cheshire East elected Members should be required to declare membership of the Freemasons.

The Monitoring Officer advised the Committee of previous case law related to membership of the Freemasons and discussion ensued on the perception of the public in respect of membership this and other similar such organisations.

As a comprehensive review of Codes of Conduct was already ongoing it was considered appropriate that membership of the Freemasons, and of other similar bodies, should be included within its remit, including the subsequent development of criteria for the declaration of pecuniary or non-pecuniary interests, for both Officers and Members.

Upon discussion the Committee supported the general principle of setting criteria in the form of a general requirement in accordance with which Members were required to consider their interest and reflect it against the Nolan principles, rather than requiring a declaration of interests in individual organisations.

RESOLVED

1. The Committee notes that a review is being undertaken of the Constitution, including of Member and Officer Codes of Conduct, and that any proposals to change the requirements for declarations of interests to be made by Members and Officers will be reported and determined through that review process.
2. That consideration of classifying membership of the Freemasons as an interest required to be declared be undertaken as part of the wider ongoing review.

12 WORK PLAN

The Committee considered the Work Plan for its future meetings.

RESOLVED

That the Work Plan be approved subject to the following additions agreed earlier in the meeting:

- i) Appointment of formal substitutes for the Committee
- ii) Subjects for, and membership of, the Member/Officer Working Groups

The meeting commenced at 2.00 pm and concluded at 4.30 pm

Councillor G Baxendale (Chairman)

CHESHIRE EAST COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	28 th September 2017
Report of:	Director of Finance and Procurement
Subject/Title:	Grant Thornton – Audit Findings and Action Plan Report 2016/17
Portfolio Holder:	Councillor Paul Bates

1.0 Report Summary

- 1.1 The Audit Findings Report will be presented to the Committee by Grant Thornton, the Council's external auditors. The report, appended to this paper summarises the findings from the 2016/17 Audit. It identifies the key issues that have been considered by Grant Thornton before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

2.0 Recommendation

- 2.1 That members receive and comment on the Audit Findings Report for 2016/17.
- 2.2 That members approve the letter of representation to be signed by the Director of Finance and Procurement.

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance. The Audit Findings Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2016/17.

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 As covered in the report.

8.0 Legal Implications

8.1 There are no specific legal implications with regard to this report.

9.0 Risk Management

9.1 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.

10.0 Background and Options

10.1 The auditors are responsible for giving an opinion on:

- whether the accounts present a true and fair view of the financial position of the authority and its expenditure and income for the year in question;
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

10.2 The findings in relation to these areas are set out in the Audit Findings Report attached as Appendix A.

10.3 As the Council's appointed auditors, representatives of Grant Thornton will attend the Committee to report their findings directly to Members.

11.0 Access to Information

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

Name: Joanne Wilcox

Designation: Financial Strategy & Reporting Manager

Tel No: (01270) 685869

Email: joanne.wilcox@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 28th September 2017
Report of: Director of Finance and Procurement
Subject/Title: 2016-17 Statement of Accounts
Portfolio Holder: Councillor Paul Bates

1.0 Report Summary

- 1.1 The 2016/17 Statement of Accounts provides information on the financial assets and transactions and of the Cheshire East Group for the period 1st April 2016 to 31st March 2017. The Group is a complex organisation that provides c.500 different services to over 370,000 residents, with an annual value of transactions in excess of £700m.
- 1.2 At the Audit & Governance Committee meeting of 1st June 2017 Members received a report setting out the key elements of the Council's pre-audit Statement of Accounts for 2016/17. The external audit of these Accounts is now complete and the external auditors, Grant Thornton anticipate providing an unqualified opinion.

2.0 Recommendation

- 2.1 That members receive the report and note the changes to the draft Accounts in accordance with the Audit Findings Report.
- 2.2 That the Chairman of Audit and Governance Committee be given delegated authority to sign off the final Accounts on behalf of the Committee.

3.0 Reasons for Recommendations

- 3.1 To ensure compliance with the Accounts and Audit Regulations 2015.

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 As covered in the report.

8.0 Legal Implications

8.1 There are no specific legal implications with regard to this report.

9.0 Risk Management

9.1 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.

10.0 Background and Options

11.1 The amendments reported in Section 2 of the Audit Findings Report have been agreed and reflected in the final Statement of Accounts.

11.2 The main change affected the Council's Comprehensive Income and Expenditure Statement (CIES) relating in the main to the underlying accounting treatment of reserves and some internal recharges. The overall deficit on provision of services remains unchanged.

11.0 Next Steps

11.1 The final version of the Statement of Accounts will be published on the Cheshire East website before the statutory deadline of 30th September following receipt of the necessary approvals.

12.0 Access to Information

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

Name: Joanne Wilcox

Designation: Financial Strategy & Reporting Manager

Tel No: (01270) 685869

Email: joanne.wilcox@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 28th September 2017
Report of: Director of Finance & Procurement (Section 151 Officer)
Subject/Title: Treasury Management Annual Report 2016/17
Portfolio Holder: Councillor Paul Bates

1.0 Report Summary

1.1 This report contains:

- The Annual Report for 2016/17 which was considered by Cabinet on 13th June 2017 (Appendix A).

1.2 The Treasury Management Policy requires an annual report on the performance of the Council's treasury management operation. This report contains details of the activities in 2016/17 for Cheshire East Borough Council.

2.0 Decision Requested

2.1 To note the Treasury Management Annual Report for 2016/17 as detailed in Appendix A.

3.0 Other Options Considered

3.1 None.

4.0 Reasons for Recommendations

4.1 To meet the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

5.0 Background

5.1 The Treasury Management Strategy for 2016/17 was approved by Council on 25th February 2016. Progress reports have been provided to Cabinet throughout the year as part of the Quarterly Financial and Performance Update Reports.

5.2 The Council complied with its legislative and regulatory requirements and remained within all of its Prudential Indicators during the year, further details are provided in Annex 1.

- 5.3 Investment income for 2016/17 is £516,000 which is higher than the budgeted income of £320,000 for the period. Cash balances remained high during the year, although market interest rates have reduced since the Bank of England Base Rate was reduced in July. Investments in the CCLA Investment Management Ltd property fund and use of corporate bonds and fixed term investments prior to the base rate reduction has contributed to higher rates of interest earned on investments. Rates achievable on Investments have now reduced as the fixed rate investments have matured.
- The average lend position (the 'cash balance') including managed funds during 2016/17 is £69.1m.
 - The average annualised interest rate received on in-house investments during 2016/17 is 0.62%.
 - The average annualised interest rate received on the externally managed property fund in 2016/17 is 4.66%.
- 5.4 The Council's total average interest rate for 2016/17 is 1.06%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.30%, and our own performance target of 0.75% (Base Rate + 0.50%).

Table 1 – Interest Rate Comparison

Comparator	Average Rate 2016/2017
Cheshire East	1.06%
LIBID 7 Day Rate	0.30%
LIBID 3 Month Rate	0.47%
Base Rate	0.25%
Target Rate	0.75%

- 5.5 As a result of lower debt repayments, due to slippage in the capital programme, there was a £1.2m underspend on the capital financing budget of £14m.
- 5.6 The Council has £7.5m invested in the CCLA managed property fund. Following the referendum decision to leave the EU (Brexit) the capital value of the fund decreased by 4%. Since then the value has started to recover. The current value of the units in the fund if sold is just over £7.5m. Although this indicates no growth, the fund continues to generate income of 4.6% per annum which exceeds the levels achievable from our own investment activities.
- 5.7 Cash balances reduced as expected at year end. In order to avoid withdrawing higher earning investments, temporary borrowing of £12m was taken for a short period at a rate of 0.40%. Lower cash balances are predicted throughout 2017/18 as Local Enterprise Partnership funds held by the Council

are spent and advance pension fund deficit payments are made. This meant that further fixed investments including use of bonds could not be made towards the end of 2016/17.

5.8 Full details of investments as at 31st March 2017 are shown in Section 3 of Appendix A. This annual treasury report, detailed in Appendix A also covers the:

- Council's capital expenditure and financing during the year;
- Impact of this activity on the Council's underlying Capital Financing Requirement (CFR);
- Treasury position at 31st March 2017 identifying how the Council has borrowed in relation to the CFR and the impact on investment balances;
- Economic factors;
- Detailed investment and debt activity;
- Reporting of the required prudential and treasury indicators.

6.0 Wards Affected and Local Ward Members

6.1 Not applicable

7.0 Implications of Recommendation

7.1 Policy Implications

7.1.1 None

7.2 Legal Implications

7.2.1 As noted in paragraph C48 of the Finance and Contract Procedure Rules in the Council's Constitution, the Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities* as this is recognised as the accepted standard for this area. C48 to C53 provide further information relating to treasury management practice, and the Code itself will have been developed and based upon relevant legislation and best practice. This report is presented to Cabinet under rule C53.

7.3 Financial Implications

7.3.1 Contained within the report.

7.4 Equality Implications

7.4.1 None.

7.5 Rural Community Implications

7.5.1 None.

7.6 Human Resources Implications

7.6.1 None.

7.7 Public Health Implications

7.7.1 None.

7.8 Other Implications

7.8.1 None.

8.0 Risk Management

8.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

8.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.

8.3 To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.

8.4 The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

9.0 Access to Information

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

Name:	Joanne Wilcox
Designation:	Financial Strategy & Reporting Manager
Tel No:	01270 685869
Email:	joanne.wilcox@cheshireeast.gov.uk

10.0 Contact Information

Contact details for this report are as follows:

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Treasury Management Annual Report 2016/17



1. Introduction

Treasury management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. Economic events of 2016/17

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK’s future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.

In addition to the political fallout, the referendum’s outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy. This was the first change to base rates since March 2009.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. Rates for 6 and 12 months increased between August and November, only to gradually fall back to August levels in March.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

3. Treasury Year End Position

The amount of investments outstanding at 31st March 2017 was £29.8m (compared to £34.0m as at 31 March 2016) as follows:

	31/03/16	31/03/17
	£m	£m
GOVERNMENT		
Lancashire County Council	2.0	2.0
Gloucester Police Crime Commissioner	2.0	-
UK BANKS		
Barclays Bank	0.5	0.5
Bank of Scotland (Covered Bond)	4.0	-
Close Bros	3.0	-
FOREIGN BANKS		
Toronto Dominion (Canada)	1.5	-
BUILDING SOCIETIES		

National Counties Building Society	1.0	-
MONEY MARKET FUNDS		
Standard Life	3.2	3.9
Deutsche	-	3.5
Federated Investors	5.2	1.7
CCLA	0.5	0.5
Aberdeen Asset (formerly Scottish Widows)	-	1.7
CORPORATE BONDS		
Volkswagon Financial Services	3.0	-
Rolls Royce plc	0.6	-
MANAGED FUNDS		
Property Funds	7.5	7.5
Federated Investors – Cash Plus Fund (VNAV)	-	7.5
Deutsche – Ultra Short Fund (VNAV)	-	1.0
TOTAL	34.0	29.8

There has been a change in the types of investment since last year with less diversification in order to maintain liquidity. The Variable Net Asset Value (VNAV) managed funds are available at short notice and generate higher returns than short term fixed deposits or standard money market funds.

The net investment income received in 2016/2017 after allowing for fees and interest due to the Growing Places and Local Growth Funds was £0.5m.

The overall average rate of interest on all investments in 2016/17 was 1.06% compared to the benchmark 7 day LIBID average return of 0.30% and our own performance target of 0.75% (Base Rate + 0.50%). The base rate was reduced from 0.50% to 0.25% in August 2016.

Investment income forms part of the capital financing budget, which also includes the amount charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. The capital financing budget for 2016/17 was £14m which accounts for 6% of the Council's net revenue budget.

We will continue to monitor performance during 2017/18 through the benchmarking service provided by the Council's Treasury Management Advisors, Arlingclose Ltd.

4. Compliance with Treasury Limits

During the financial year the Councils' operated within the treasury limits and Prudential Indicators set out in the Councils' Treasury Policy Statement and annual Treasury Strategy Statement (see section 7).

5. Investment Strategy for 2016/17

The Council had regard to the DCLG Guidance on Local Government Investments ("the Guidance") issued in March 2004 (revised in 2010) and the revised CIPFA

Treasury Management Code and the revised Prudential Code (“the CIPFA TM Code”).

Investment instruments identified for use in the financial year are set through the Councils’ Treasury Management Strategy Statement and Investment Strategy. Different limits apply to counterparties based on a range of credit criteria which governs the maximum amount and the maximum maturity periods of any investments. This is kept under continual review with institutions added or removed from our list of counterparties during the year dependent on their qualification according to the credit criteria measures.

Investment Objectives

All investments were in sterling. The general policy objective of the Council was the prudent investment of its treasury balances. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority’s aim is to achieve a yield commensurate with these principles.

Credit Risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country’s net debt as a percentage of GDP; any potential support mechanisms and share price.

The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. For named UK banks and credit rated building societies this has been set at a maximum value of £6m. This limit applies to the banking group that each bank belongs to.

Limits for each Money Market fund have been set at a maximum value of £12m per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of £50m in total. Due to their smaller size, unrated Building Societies have a limit of £1m each.

Liquidity

In keeping with the CLG’s Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds, overnight deposits and the use of call accounts. The Councils cash resources have an annual cycle dipping in March but with known receipts then due in April. The Council has avoided the need for any new long term borrowing by utilising existing cash resources which has led to lower cash balances. In order to maintain quality of investments throughout March, temporary borrowing of £12m was taken in March for repayment in April.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. Following the reduction in the UK Bank Base Rate, short term money market rates fell and remained at even lower levels than previous years which continue to have an impact on investment income.

Use of External Fund Managers

In previous years the Council had invested a total of £7.5 in a property fund. This fund is a diversified commercial and industrial property portfolio available to all local authorities. It is suitable where long term funds are available to invest to achieve an attractive income and capital growth over time.

Following the referendum result for the UK to leave the EU, the fund was devalued by 4% in line with general commercial property valuations. This meant the value of the fund dropped from £7.64m as valued in 2015/16 accounts to £7.4m. However, in line with expectations and the general growth of the UK economy the value of the fund has since increased and at 31st March 2017 the value (sale price) of the fund was £7.52m. Any changes in the underlying capital value of the fund will only be realised when the investments are sold.

The fund pays dividends on a quarterly basis which have averaged 4.66% return on the sum invested during 2016/17. This compares to the rest of the Council's investments, where the average return was 0.62%. The continued use of this fund is being kept under review particularly in light of diminishing cash resources. However, as the cost of temporary borrowing to cover short term cash shortfalls was only 0.50% it was prudent to maintain this investment as part of our long term strategy.

6. Borrowing strategy

At the end of the year 2016/17 the Council had debt outstanding of £115.5m. Of this £82.9m represented loans from the PWLB, £17m represented loans raised from commercial banks, £12m represented temporary borrowing repaid in April 2017 whilst £3.6m represents interest free loans from Salix repayable within the next 4 years.

The Council's capital financing requirement (CFR) currently exceeds the amounts actually borrowed with the shortfall being funded from cash balances.

In accordance with the Treasury Management Strategy the Council sought to finance its capital expenditure through the use of its own existing cash balances rather than through the raising of long term loans. The benefits of this are twofold; firstly by reducing the amount of cash balances held by the Council it reduces the credit risk and secondly, the interest foregone on the cash balances use to finance capital expenditure payments was less than the amount of interest payable on any new loans that would have been raised.

7. Prudential Indicators 2016/17

The Council can confirm that it has complied with its Prudential Indicators for 2016/17, approved on 25th February 2016 as part of the Council's Treasury Management Strategy Statement. Details can be found in Annex 1.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2016/17. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Annex 1**Prudential Indicators 2016/17 and revisions to 2017/18 – 2019/20****1. Background:**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2016/17, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Capital Expenditure:

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2016/2017	2017/2018	2018/2019	2019/2020	Future years
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Total	78.7	116.2	135.8	61.5	19.0

Source: Cheshire East Finance

3.2 Capital expenditure has been and will be financed or funded as follows:

Capital Financing	2016/2017	2017/2018	2018/2019	2019/2020	Future years
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	8.6	10.4	13.1	10.0	7.2
Government Grants	24.4	39.2	105.4	23.2	0.0
External Contributions	4.0	5.5	3.0	27.6	4.9
Revenue Contributions	0.5	0.6	0.0	0.0	0.0
Total Financing	37.5	55.7	121.5	60.8	12.1
Prudential Borrowing	41.2	60.5	14.3	0.7	6.9
Total Funding	41.2	60.5	14.3	0.7	6.9
Total Financing and Funding	78.7	116.2	135.8	61.5	19.0

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/2017	2017/2018	2018/2019	2019/2020
	Actual	Estimate	Estimate	Estimate
	%	%	%	%
Total	5.60	5.67	5.59	5.60

Source: Cheshire East Finance

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2017	£m
Borrowing	116
Other Long-term Liabilities	39
Total	155

Source: Cheshire East Finance

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2017/2018 Estimate	2018/2019 Estimate	2019/20 Estimate
	£	£	£
Band D Council Tax	12.15	15.17	7.3

Source: Cheshire East Finance

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

8.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.5 The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not

worst case scenario but without the additional headroom included within the Authorised Limit.

	2016/2017 Actual £m	2017/2018 Estimate £m	2018/2019 Estimate £m	2019/2020 Estimate £m
Authorised Limit for Borrowing	250	270	280	310
Authorised Limit for Other Long-Term Liabilities	39	37	35	33
Authorised Limit for External Debt	289	307	315	343
Operational Boundary for Borrowing	240	260	275	300
Operational Boundary for Other Long- Term Liabilities	39	37	35	33
Operational Boundary for External Debt	279	297	310	333

Source: Cheshire East Finance

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23rd February 2012

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).

- 10.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

	Existing level (or Benchmark level) at 31/03/2017	2016/2017 Approved	2016/2017 Revised	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
		%	%	%	%	%
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0%	100%	100%	100%	100%	100%

Source: Cheshire East Finance

- 10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

11. Maturity Structure of Fixed Rate borrowing:

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
- 11.3 LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months, the upper limit for borrowing maturing within 12 months is relatively high to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2017/18.

Maturity structure of fixed rate borrowing	Level as at 31 st March 2017(based on Current Borrowing) %	Lower Limit for 2017/2018 %	Upper Limit for 2017/2018 %
under 12 months	23%	0%	35%
12 months and within 24 months	6%	0%	25%
24 months and within 5 years	11%	0%	35%
5 years and within 10 years	0%	0%	50%
10 years and within 20 years	26%	0%	100%
20 years and within 30 years	9%	0%	100%
30 years and within 40 years	23%	0%	100%
40 years and within 50 years	3%	0%	100%
50 years and above	0%	0%	100%

Source: Cheshire East Finance

12. Credit Risk:

- 12.1 The Authority considers security, liquidity and yield, in that order, when making investment decisions.
- 12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
- 12.3 The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
 - Corporate developments, news, articles, markets sentiment and momentum;
 - Subjective overlay.
- 12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28th September 2017
Report of: Corporate Manager Governance and Audit
Title: Update on Air Quality Data Internal Audit Report
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with details of the management actions agreed following the Internal Audit review of Air Quality Management.

2.0 Recommendation

- 2.1 That the Committee:
- i) is asked to note the management actions agreed following the review; and
 - ii) notes that an update on progress in implementation will be provided as part of the interim report Internal Audit will provide to the December 2017 meeting.

3.0 Reasons for Recommendation

- 3.1 Receiving this update aligns with the Audit and Governance Committee's terms of reference in considering reports on the effectiveness of internal controls and requesting summaries of specific internal audit reports.
- 3.2 This update should provide assurance to the Committee that the learning points arising from the internal audit review can be effectively implemented and monitored, to improve future working practices.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications

- 7.1 There are no direct financial implications arising from this report. The Council has already incurred the cost of the internal and external

investigations, plus the additional resource in identifying the accurate data and updating the necessary returns.

8.0 Legal Implications

- 8.1 Aside from the issues raised in the review and subsequent investigations, which have been separately addressed, there are no further legal implications arising from this report.

9.0 Risk Management

- 9.1 A number of risks have been identified in the review and the management actions seek to mitigate these. The key risk remaining is failure of implementation of the agreed actions, which could result in outcomes not being achieved, lack of financial control, further reputational damage and loss of public confidence.
- 9.2 The 2017/18 Internal Audit Plan already included a review on Performance Management and Reporting for Adult Social Care. The scope of this review will be widened to review arrangements for all statutorily required performance returns and review the effectiveness of the processes undertaken in preparing, reviewing and monitoring such returns.

10.0 Background

- 10.1 During the preparation of the Air Quality Annual Status Report (ASR) for submission in 2016, anomalies were discovered by management, between the data recorded on the Council's systems and the source data provided by the laboratory that analyses the monitoring equipment. Initial analysis identified multiple anomalies in the 2016 figures, and also in those used to complete the previous return. The Chief Executive then requested that Internal Audit carry out a review of data returns, and the processes in place for the monitoring, recording and dissemination of air quality data.
- 10.2 Internal Audit carried out a review of the policies, systems and procedures in place to provide assurance that the following key risk is being managed effectively:
- Failure to accurately record air quality data resulting in:
- Inaccurate statutory returns submitted to DEFRA
 - Inaccurate information provided in relation to planning applications
 - Failure to carry out appropriate mitigating actions to address air quality issues
 - Provision of inaccurate information in correspondence such as FOI, MP enquiries, Member enquiries, customer complaints and press releases
- 10.3 The review looked at the source data received from the laboratory and used this information to reproduce air quality monitoring spreadsheets for 2013, 2014 and 2015. These were then compared to those produced by the Air Quality Team and the level of error identified. These verified figures were then used to populate the appropriate section of the ASR which was shared

with the Air Quality Team to enable them to progress the production of this statutory return. Discussions were also held with key members of the team to identify the policies and procedures in place to direct the work of the Air Quality Team and ensure that Cheshire East Council fulfils its statutory requirements in this area.

- 10.4 The data verification exercise undertaken for 2013, 2014 and 2015 identified a significant numbers of errors between the air pollution figures received from the laboratory and those recorded on the air quality spreadsheet maintained by the team. As the air quality spreadsheets were used to populate the figures in the ASR to DEFRA, there were therefore also significant errors in the information provided as part of the statutory reporting process. The review has confirmed inaccurate data was included in the returns submitted to DEFRA in 2013, 2014 and 2015 and further work has been carried out to determine whether this is also the case for previous years.
- 10.5 The audit did not identify any reason as to why the errors may have occurred. However, a review of the figures revealed patterns with regards to the same sites being subject to repeated and regular reductions in recorded NO₂ levels of either 10 or 20 µg/m³. This suggests that the errors may not have been random or as a result of human error.
- 10.6 It is important to acknowledge that whilst the review has identified errors in the recorded levels of NO₂ around the borough, there is no evidence to suggest that this has been as a result of an attempt to mask levels of pollution that would pose a risk to the health and wellbeing of the public. DEFRA has produced an Air Quality Index for Hourly NO₂ levels that classifies pollution into High, Medium and Low categories with each of these categories split into a further three sub categories. There is also associated health advice for both the general population and at risk individuals.
- 10.7 This advice states that for the Low category, which ranges from 0-200 µg/m³, both the general population and at risk individuals should “Enjoy your usual outdoor activities”. EU directives state that sites should not exceed an hourly average of 200 µg/m³ on more than 18 occasions per year. Cheshire East Council’s real time analysers have recorded no breaches of this limit for 2013, 2014 and 2015. By contrast, Putney Bridge in London exceeded this limit on 19 occasions in the first week of 2016.
- 10.8 The audit review concluded that there has been a failure to ensure that effective Air Quality Management policies, procedures and quality assurance mechanisms are in place and communicated to staff, resulting in a significant number of errors in the reporting of statutory air quality data to DEFRA and other stakeholders, both internal and external, for a number of years.
- 10.9 The review also concluded, that given the nature and extent of the errors and on the balance of probabilities, it is unlikely that they are random or as the result of human error. As such, further investigation was required to establish whether this was the case.
- 10.10 Due to resource issues within Internal Audit at the time, and the technical nature of the subject, it was recommended that an independent investigation be commissioned to determine the following:

- The reason for the errors and who is responsible
- Whether it is appropriate for any further action to be taken against anyone found to be responsible
- The full impact and implications of the errors that have been made and the actions required to ensure that CEC is fulfilling its statutory responsibilities with regards to air quality

- 10.11 The technical phase of the investigation, to identify the full impact and implications of the errors made have completed, and the outcomes have been published, and are available on the Council's [website](#);
- 10.12 The phase of the investigation regarding responsibility for the errors is ongoing. As such Internal Audit has not formally undertaken a follow up of progress in implementing the recommended actions.
- 10.13 However, assurance has been sought and provided by senior management that action has been taken to address the identified control and governance issues. Further to this assurance, a follow up review will be undertaken and the outcomes reported back to the December Audit and Governance Committee, as part of the Internal Audit Interim Report.
- 10.14 As Members will be aware, this matter is now the subject of a formal police investigation and further updates will be provided as appropriate.
- 10.15 The Findings and Action Plan from the review, complete with management responses, is included in Appendix A.

11.0 Access to information

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

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Designation: Principal Auditor

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Internal Audit – Review of Air Quality Management - Findings and Action Plan (Agreed October 2016)

	Finding	Implication	Recommended Action	Priority
01	<p>The data verification exercise for 2013, 2014 and 2015 identified a significant numbers of errors between the air pollution figures received from the laboratory and those recorded on the air quality spreadsheet maintained by the team. This data has been used to inform the following:</p> <ul style="list-style-type: none"> • Annual Progress Reports to DEFRA • FOI and EIR requests • Planning Applications • Queries from elected members and members of the public • Information requests from Air Quality Consultants working on behalf of developers • Consideration of the requirement for Air Quality Management Areas (AQMA's) and the associated action plans. <p>In addition, there are concerns around the appropriateness of an exercise in April 2014 that resulted in the monitoring of 41 diffusion tubes being ceased.</p>	<p>The provision of inaccurate air quality data may have resulted in incorrect or inappropriate decisions or actions being taken by both the Council and outside bodies or individuals. Furthermore, this may have resulted in a failure to take appropriate decisions or actions.</p>	<p>An independent Air Quality expert should be commissioned to determine and report on the full impact and implications of the errors that have been made and to determine the actions required to ensure that CEC is fulfilling its statutory responsibilities with regards to air quality.</p>	High
Management Response				
<p>Agreed: Yes Responsibility: Kath O'Dwyer Target Date: ASAP Response: Action completed prior to issue of final report</p>				

Internal Audit – Review of Air Quality Management - Findings and Action Plan (Agreed October 2016)

	Finding	Implication	Recommended Action	Priority
02	The audit has not identified any reason as to why the errors may have occurred. However, a review of the figures revealed patterns with regards to the same sites being subject to repeated and regular reductions in recorded NO ₂ levels of either 10 or 20 µg/m ³ . This suggests that the errors may not have been random or as a result of human error. At this time it is unclear as to who may be responsible or the reason why this may have taken place.	One or more individuals may have deliberately manipulated the air quality monitoring results resulting in artificially low figures being reported and used for decision making purposes. This may also have resulted in required mitigations not being put in place.	An independent investigation should be commissioned to determine the following: <ul style="list-style-type: none"> The reason for the errors and who is responsible. Whether it is appropriate for any further action to be taken against anyone found to be responsible. 	High
	Management Response			
	Agreed: Yes Responsibility: Kath O'Dwyer/Sara Barker Target Date: ASAP Response: Action completed prior to issue of final report			
	Finding	Implication	Recommended Action	Priority
03	An Air Quality Steering Group has been established and will provide a governance framework and means of obtaining assurance that Cheshire East Council is fulfilling its responsibilities with regards to the management of air quality. However, at the time of the audit, the group was yet to hold its inaugural meeting.	There is currently a lack of governance in relation to air quality that has contributed to the issues identified during this audit.	It is essential that the Steering Group is operational and the terms of reference agreed as soon as possible. This will provide a governance framework and means of obtaining assurance that Cheshire East Council is fulfilling its responsibilities with regards to the management of air quality.	High
	Management Response			
	Agreed: Yes Responsibility: Steph Cordon Target Date: ASAP Response: Meeting arranged for 10 November 2016			

Internal Audit – Review of Air Quality Management - Findings and Action Plan (Agreed October 2016)

	Finding	Implication	Recommended Action	Priority
04	The review has identified that there are no policies and procedures in place to ensure that air quality is effectively managed in accordance with statutory requirements.	The detailed Technical Guidance issued by DEFRA may not be correctly interpreted and consistently applied resulting in Cheshire East Council failing to fulfil its responsibilities in relation to air quality.	<p>In order to provide an appropriate level of assurance to the Air Quality Steering Group, the service should develop appropriate policies and procedures to ensure that DEFRA guidance is applied effectively and consistently. In particular, the following should be progressed as a priority:</p> <ul style="list-style-type: none"> • Performance measures should be developed and subject to regular reporting and challenge by the Air Quality Steering Group. • Agreement of the criteria for the commencement and cessation of air quality monitoring including the level of evidence required to support decisions and a written scheme of delegation for the authorisation of such decisions. • Detailed procedures should be developed for the recording of results from the laboratory to ensure consistency of approach, a move away from manual input of data and the introduction of a quality assurance process. • The introduction of a naming protocol for monitoring sites along 	High

Internal Audit – Review of Air Quality Management - Findings and Action Plan (Agreed October 2016)

			<p>with an agreed protocol for the reporting of results by the laboratory.</p> <ul style="list-style-type: none"> • Access and version control should be introduced over computerised records to ensure that data is secure and only accessible to those officers that need it to fulfil their duties. • The website should be subject to regular review to ensure that it contains up to date and accurate information and that the public are fully informed with regards to air quality across the borough. • A formal process should be developed for responding to requests for air quality data, both internal and external, and the current informal sharing of information with consultants working on behalf of developers should be stopped. 	
Management Response				
<p>Agreed: Yes</p> <p>Responsibility: Kath O'Dwyer</p> <p>Target Date: ASAP</p> <p>Response: Passed to Steph Cordon to arrange implementation of actions.</p>				

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 September 2017
Report of: Corporate Assurance Group
Title: Annual Governance Statement (AGS) 2016/17
Portfolio Holder: Cllr Rachel Bailey

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to approve the Annual Governance Statement 2016/17 for signature by the Leader of the Council and the Chief Executive. Once approved, the AGS will accompany the Statement of Accounts and be published on the Council's website.
- 1.2 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.
- 1.3 The Council's assessment of its governance arrangements for 2016/17 has recognised four significant governance issues. Two issues were identified in the draft Statement, and a further two have been recognised in the final. The Final Annual Governance Statement is provided in Appendix 1.
- 1.4 The AGS for 2016/17 also summarises the Council's progress made in managing issues identified in previous Annual Governance Statements.

2.0 Recommendation

- 2.1 That the Committee approves the Annual Governance Statement 2016/17.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations (2015), the Annual Governance Statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the Statement of Accounts is approved and no later than 30 September. The

Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.

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 There are no specific financial implications. The production of the AGS aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by the end of September 2017).

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 and Options

10.1 As previously reported to the Audit and Governance Committee, the Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015

10.2 The Committee considered the draft Annual Governance Statement at the June 2017 meeting. The AGS has been amended to take account of Members feedback from that meeting, and also any feedback received in the interim period from Members, Officers and the External Auditors.

Updates have been provided in relation to being undertaken where possible. A summary of these changes is provided in Appendix B.

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

11.0 Access to information

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

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Proposed Final

Annual Governance Statement

2016/17

Proposed Final for Audit and Governance Committee
28th September 2017

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; (Section 5)
 - how the Council monitors the effectiveness of the governance arrangements; (Section 6)
 - what improvements or changes in governance arrangements are proposed during the forthcoming year. (Section 7)
- 1.3. The Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions and 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 2016/17

- 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 2016/17 identified governance issues as outlined at the end of section 7. 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

Kath O'Dwyer
Interim Chief Executive, Cheshire East Council

2. Introduction

2.1. The Accounts and Audit (England) Regulations 2015 require that

- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control
- Findings of this review should be considered by the Council
- The Council must approve an Annual Governance Statement; and
- The Annual Governance Statement must accompany the Statement of Accounts.

2.2. For Cheshire East Council, the Audit and Governance Committee has delegated authority to undertake these duties on behalf of the Council.

3. 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. In [January 2017](#), Cabinet approved and adopted an [updated Code of Corporate Governance](#) that is consistent with the principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives

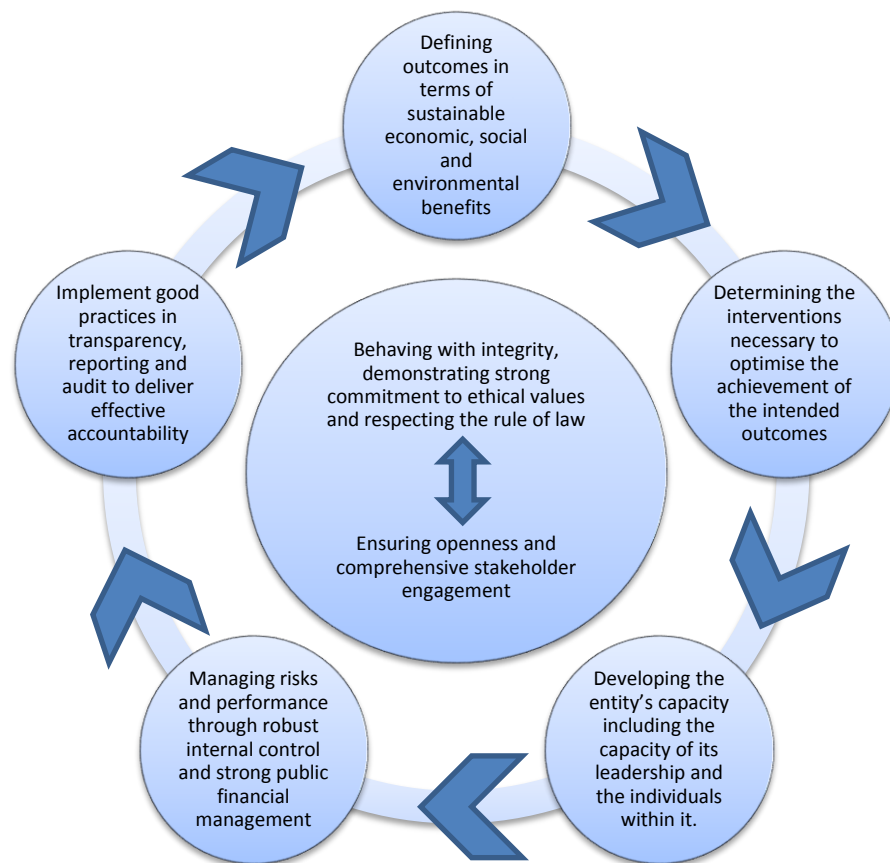
(SOLACE) Framework [Delivering Good Governance in Local Government](#) (2016). These are outlined below and summarised in Figure 1.

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity including the capacity of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implement good practices in transparency, reporting and audit to deliver effective accountability

3.4. The annual review of effectiveness has been carried out against the updated Code of Corporate Governance. The draft AGS was considered by the June 1st Audit and Governance Committee. It has since been updated, for example, in response to suggestions from Members and Senior Officers, and to ensure the Statement remains current for when the Audit and Governance Committee consider it as Final on 28th September 2017.

3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and Chief Executive. It will then be published alongside the Statement of Accounts.

Figure 1: Principles in the Council's Code of Corporate Governance



3.6. The Annual Governance Statement provides assurance that:

- governance arrangements are adequate and operating effectively in practice; or
- where reviews of the governance arrangements have revealed improvements are required, action is planned to ensure effective governance in future.

4. The Purpose of the Governance Framework

- 4.1. 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. This covers services provided and managed directly by the Council, and arrangements delivered through external partners, including the Council's wholly owned companies.
- 4.2. 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.
- 4.3. 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 ongoing 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.

5. The Governance Framework

- 5.1. The Council's Code of Corporate Governance now includes examples of how the Council demonstrates the principles in practice and operation. Therefore, to minimise duplication, it is only supplementary examples and features of the Council's governance framework, specific to 2016/ 17 which are set out below.
- 5.2. The Governance Framework described below and also shown in **Appendix 1** has been in place for the year ended 31st March 2017 and to the time of the AGS being approved by Audit and Governance Committee in September 2017 unless otherwise indicated.

Defining outcomes in terms of sustainable economic, social and environmental benefits

- 5.3. Cheshire East Council's priorities are outlined in the Council's Corporate Plan. The updated [Corporate Plan for 2017/18](#) was agreed by full Council on 23rd February 2017. The updated Corporate Plan forms the basis for developing proposals within the Medium Term Financial Strategy (MTFS).
- 5.4. The Corporate Plan recognises that the Council is a commissioning organisation, but that it does not have a fixed ideology on how best to deliver services, and will instead adopt a "best fit" approach for the most appropriate delivery mechanism for our services to enable us to achieve our corporate outcomes.
- 5.5. The [MTFS for 2017/20](#) was also agreed at the February 2017 Council meeting. The report sets out the Council's plan and required funding to ensure Cheshire East remains one of the best places to live in the North West.

- 5.6. Progress against the Corporate Plan is reported to [Cabinet](#) on a quarterly basis. The reports demonstrate performance of the Council aligned to the outcomes defined in the Corporate Plan, and how priorities are being managed to achieve the best results for local residents. Performance reports are also considered by the Overview and Scrutiny Committee who provide comments to Cabinet.
- 5.7. The 2016/17 Final Outturn of Performance was received by [Cabinet](#) on 13th June 2017 and by [Corporate Overview and Scrutiny Committee](#) on 15th June 2017.
- 5.8. Delivery of the Corporate Plan is supported by service plans, team plans and individual performance development reviews. The business planning process has been reviewed during 2016/17 and an updated process has been introduced to support planning for 2017/18, with a view to allowing greater alignment between delivery objectives, performance targets, risk management and the expectations around values and standards set by the organisation.
- 5.9. Cheshire East Council is committed to partnership working. The [Sustainable Community Strategy](#), "Ambition for All", sets out the collective vision for the area and priority actions which need to be addressed over the period to 2025 to achieve that vision. Consultation on refreshing the Strategy, with a view to implementing a revised partnership structure was agreed by Cabinet during 2016/17.
- 5.10. During 2016/17, an officer task and finish group has been using CIPFA's "Aligning Public Services" guidance to map and assess it's working relationships with external organisations, against criteria designed to evaluate the effectiveness of the arrangements and their alignment with delivering the Council's corporate objectives, as well as assessing the governance arrangements of the partnerships.
- 5.11. Once complete, the output from this work will be integrated into individual service plans to review and strengthen specific

arrangements as necessary. The map will form the basis of reviewing the effectiveness of partnership working and the quality of governance arrangements in future.

- 5.12. Continued and increasing financial pressures on health and social care services continue to present governance challenges to the council. These are captured as high scoring risks in the Council's Corporate Risk Register, and have previously been recognised by the Council in the 2015/16 Annual Governance Statement, with the inclusion of "Health and Social Care Integration" as a continuing governance issue. An update on the actions undertaken during 2016/17 to manage this issue is provided later in this Statement.
- 5.13. At March 2015 there were 357 children in care. The numbers increased to 387 in March 2016, reaching 412 in November 2016, and 438 by the end June 2017, and have further risen since that point. Increasing gatekeeping has resulted in the cases which are coming through being more complex and therefore cost more. Although children in care numbers have continued to rise they are still below the average level for similar authority areas.
- 5.14. The 2015/16 outturn for placements reflected an overspend of £2.2m. This pressure was partially addressed through the 2016/17 budget process (in the context of funding limitations) where an extra £1m was allocated to placements (plus £0.3m to fostering allowances). The end result is that the overspend has been reduced but the increase in client numbers and complexity has limited the impact.
- 5.15. The service continues to seek better value for money placements that provide the necessary support for vulnerable children and reduce cost on an individual basis. The service is also considering other ways of reducing pressures through local projects to improve outcomes and linking up with bids for Department for Education innovation funding.

- 5.16. In 17/18 the service received £2.1 million to address the pressures in 16/17. Cabinet has also agreed to collaborate with CWaC, Warrington and Halton to recruit more in house foster carers. We have also commissioned five children's homes to increase local placements and to reduce costs.

Determining the interventions necessary to optimise the achievement of the intended outcomes

- 5.17. The Council's [Constitution](#) sets out comprehensively the rules conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation. In July 2016, the [Constitution Committee](#) received reports on, and approved changes to the Finance Procedure Rules within the Constitution. The revisions were recommended to ensure the Rules were up to date and clarified to ensure consistent interpretation.
- 5.18. As changes are made to the [Constitution](#) it is updated on the Council's website. Previous versions of the Constitution are also available for reference.
- 5.19. During 2016/17 the Constitution Committee has also reviewed, commented and agreed to changes in the Terms of Reference for Committees, including the Audit and Governance Committee and the [Health and Wellbeing Board](#).
- 5.20. At the meeting of the Constitution Committee on [4th August 2017](#), the Committee agreed on the need for a full review of the Constitution. A sub committee of 8 members from the Constitution Committee was agreed. The sub committee will meet on a fortnightly basis. The proposals from the sub committee for a new Constitution will be presented to the Constitution Committee in due course. The Constitution Committee will be asked to recommend the same for adoption by Full Council.

- 5.21. 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.
- 5.22. Decision makers are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete. This is prompted by the report format used, which also prompts clear explanations of issues and implications on both a financial and non-financial basis. Financial and legal implications of all key decisions are signed off by relevant senior officers.
- 5.23. A Special Meeting of Council was convened in [February 2017](#), to consider issues raised in relation to the decision taken by Cabinet in October 2016 on Available Walking Routes to Schools. After extensive discussion and consideration of various Motions proposed, the Council resolved to request that Cabinet defer implementation of the decisions made in October 2016 pending the installation of specified improvements and the receipt of assessments from Network Rail.
- 5.24. The Council facilitated extensive [pre-budget consultation](#), setting out proposals to change for the period 2017/18 to 2019/20. The results of the consultation formed part of the consideration of the [Corporate Plan and Medium Term Financial Strategy 2017/20](#) by Council at its February 2017 meeting.
- 5.25. 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.

Developing the entity's capacity including the capacity of its leadership and the individuals within it

- 5.26. The Constitution also defines the standards of conduct and personal behaviour expected of, and between, members, staff, associated partners and the community, defined and communicated through Codes of Conduct and protocols. The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.
- 5.27. The statutory roles of the Head of Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are their responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.
- 5.28. The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Corporate Leadership Team (CLT), receiving assurance reports and updates from across the Council. CLT is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the diagram in Appendix 1.
- 5.29. The Council publishes a [Pay Policy Statement](#) by 31st 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 2016/17 was agreed by Council on Council 26th February 2016.
- 5.30. The [2017/18 Pay Policy Statement](#), recommended to Council on 23rd February 2017 from Staffing Committee includes a number of changes from the previous statement, reflecting a small change in the remuneration ranges for Chief Officers due to a 1% pay increase in

April 2016, and an update on the Government's consultation on a range of wider reforms to exit payments across the public sector.

negative behaviours in the workplace. This update was reported back to Staffing Committee in [January 2017](#), and to Cabinet in [March 2017](#).

Managing risks and performance through robust internal control and strong public financial management

5.31. All staff engage with 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 professional development requirements.

5.32. During 2016/17, the Council's Staffing Committee received updates on progress against the Council's "[People Plan](#)". The People Plan updates reported on key HR performance data information, including headcount, turnover, voluntary redundancy and sickness absence data. Progress updates are provided on actions identified to drive performance and improvement across specific, functional areas of the HR Service.

5.33. The Staffing Committee also set up a [cross party working group](#) in May 2016, to provide assurance that the wellbeing of staff was aligned to best practice and organisational values. The review carried out by the Working Group included;

- a desk based exercise to review the Council's policies and procedures, conducted independently by North West Employers
- independent research by North West Employers to ensure best practice was being followed
- consideration of the Staff Survey results
- quick wins being identified and implemented
- interviews and focus group with staff and views sought of Elected Members through the Working Group

5.34. The Working Group concluded that the wellbeing of staff was aligned to best practice and values and that appropriate HR processes are in place for staff to speak out on matters of concern. It suggested that further training should be made available to all staff to reduce

5.35. An updated Risk Management policy and strategy were adopted by Cabinet in February 2016 and work has been ongoing during 2016/17 to consolidate the implementation of the revised policy throughout the organisation.

5.36. [Audit and Governance Committee](#) have received regular risk management update reports, and at the [March 2017](#) meeting, received presentations explaining the highest rated Corporate Risks (CR1, Increased Demand for People Services and CR2, NHS Funding and the Sustainability and Transformation Plan) in further detail.

5.37. The Council's Overview and Scrutiny committees were reviewed during 2016/17. Constitution Committee considered proposals at its [November 2016](#) meeting to better align the committee to the Corporate and Cabinet structures.

5.38. At the [December 2016](#) meeting Council approved the recommendation from the Constitution Committee to reduce the number of committees from six to four; [Corporate Overview and Scrutiny](#), [Environment and Regeneration](#), [Children and Families](#) and [Health and Adult Social Care and Communities](#). The changes were implemented from 1st January 2017 and will be reviewed in due course. An annual report from Scrutiny is scheduled to be considered by Council in October 2017.

5.39. The Council continues to recognise its responsibilities in relation to information governance, ensuring that data held is accurate and available to inform decision making, but stored securely and accessed

appropriately. Training on information governance responsibilities has been taken forward using the “Seeds – Owning and Caring for Information” e-learning module. This was recognised in the [IESE 2017 Awards](#) – the Improvement and Efficiency Social Enterprise.

- 5.40. Preparation for the forthcoming changes to Data Protection legislation is also underway; the [EU General Data Protection Regulation](#) will replace the Data Protection Act in May 2018. A project has begun in 2016/17, identifying the key changes in legislation and to identify the necessary work programme to ensure the Council will be compliant with the new requirements.
- 5.41. The Information Governance Group met regularly throughout 2016/17, managing a programme of proactive improvement and responding to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), Corporate Assurance Group, and the Corporate Leadership Team.
- 5.42. Project activity is monitored 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.
- 5.43. 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.
- 5.44. The Committee met on four occasions during 2016/17, 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 and the External Audit Plan and progress reports,

- Updates on Risk Management, Treasury Management, Corporate Governance, Information Governance, ASDV Governance and Whistleblowing arrangements
- Annual reports on Customer Feedback (Complaints, Compliments and the Local Government Ombudsman), Compliance with the Regulation of Investigatory Powers Act (RIPA), Compliance with Data Protection Act (1998), Freedom of Information Act (2000) and Environment Information Regulations (2004)

- 5.45. A new Chair, an existing Committee member, Cllr Gordon Baxendale was appointed with effect for the December 2016 meeting. The Audit and Governance Committee’s draft self-assessment against the CIPFA guidance was discussed at the [June 2017](#) meeting.
- 5.46. During 2016/17 the Audit and Governance Committee agreed to, and appointed an [Independent Co-Opted Member](#) to the Committee. The co-option of an independent member to the Committee, in March 2017 is designed to reinforce political neutrality, as well as supplementing the skills and knowledge in the Committee.
- 5.47. In [June 2016](#), Audit and Governance Committee members agreed to recommend to the Constitution Committee, changes to the Whistleblowing Policy and the consequential amendment to the Constitution. These were approved at the Constitution Committee in [July 2016](#).
- 5.48. The 2015/16 Annual Report of the Audit and Governance Committee was received by Council on [20th October 2016](#). The Annual Report for 2016/17 is also scheduled to be taken to the September 2017 Audit and Governance Committee and then taken to Council.
- 5.49. The 2015/16 Annual Governance Statement was approved at the [September 2016](#) 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.

- 5.50. An update on progress made in managing issues raised in the 2015/16 Statement was taken to the Audit and Governance Committee meeting in [December 2016](#). The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements. Progress made in managing issues noted as "requiring further attention" in previous Statements, is covered later in the Statement.

Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.51. 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 2016/17, received by the Audit and Governance Committee on [June 1st 2017](#) and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2016/17

- 5.52. The Internal Audit Annual Report for 2016/17 has been prepared by the Council's Principal Auditors who currently have management responsibility for Internal Audit as the Corporate Manager Governance and Audit has left the Council at the end of February 2017 following an extended period of absence. Support and sign off has been provided by the Interim Director of Finance and Procurement who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.

- 5.53. There has been an improvement in the percentage of agreed actions from audit reports implemented between 2015/16 to 2016/17. Whilst there has been significant focus by the Internal Audit team on follow ups during the year, this also reflects senior managers' support of the timely implementation of actions.
- 5.54. Updated Public Sector Internal Audit Standards (PSIAS) have been implemented from 1st April 2017. A self assessment will be undertaken against the updated Standards and to ensure continuing compliance with the standards, any required changes, for example, any updates to the Audit Charter, will be highlighted in a future report to the Audit and Governance Committee.
- 5.55. The Council has a number of wholly owned companies, which operate under the holding company of Cheshire East Residents First Limited (CERF Ltd). The following have been in operation during 2016/17;
- Orbitas
 - Ansa
 - Transport Service Solutions Ltd. (TSS Ltd)
 - Civicance
 - Engine of the North (EoTN)
 - Tatton Enterprises Limited
 - The Skills and Growth Company (SAGC)
- 5.56. Everybody Sports and Leisure (ESAR) is a charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. ESAR deliver services for the Council as set out in the operating contract, which is monitored through client commissioning arrangements, including contract management meetings and monitoring visits. The annual performance report for ESAR 2015/16 was reported to Cabinet in [October 2016](#).
- 5.57. Operational overview of services delivered by the CERF Ltd group of companies is affected through client commissioning arrangements,

based upon operating agreements/contracts between the Council and the individual company. Governance mechanisms have broadly operated as expected and include regular meetings with the commissioners, performance reporting and financial challenge meetings. Each company produces a year end set of accounts which are independently audited.

- 5.58. The CERF board met 4 times in 2016/17. 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 and collaboration between companies.
- 5.59. A review of CERF was commissioned in January 2017 to assess the effectiveness and appropriateness of the existing governance arrangements for the wholly owned companies and to clarify the expectations of CERF as a company in its own right.
- 5.60. The CERF review, undertaken by an independent strategy/business growth consultant, concluded that there are clear opportunities to improve the way the ASDV companies are governed and that this should be addressed in order to ensure that “the whole is greater than the sum of the parts”.
- 5.61. An action plan has been developed to implement the recommendations of the review and address a number of recurring issues and themes that were identified during the review. This includes a fundamental review of the effectiveness and commercial prospects of all of the Council’s ASDV companies and whether the current arrangements provide value for Cheshire East residents and the Council as stakeholder. The Portfolio Holder for Finance will be responsible for the implementation of the action plan.

- 5.62. Following the closure of CoSocius Ltd, ICT services and transactional services have returned to a shared services arrangement, with Cheshire East Council hosting ICT services, and Cheshire West Council hosting Transactional Services. 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 has been reported to the Joint Officer Board and the [Shared Services Joint Committee](#).
- 5.63. Agendas, Minutes and Reports for Cheshire East Council meetings are published on the Council’s website. The website also hosts a schedule of [Officer Decisions and key decisions](#), updated on a monthly basis.
- 5.64. In [March 2017](#), the Constitution Committee considered a report outlining the Council’s experience to date in relation to the recording, webcasting and provision of social media commentary in respect of decision making meetings. It was agreed that the current arrangements for recording and webcasting will cease at the end of the 2016/17 municipal year, and an enhanced audio recording system will be introduced for use in all the Council’s formal decision making bodies.
- 5.65. 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. During 2016/17, inspections and reviews have been carried out by Ofsted, Care Quality Commission, the DVLA, and the General Register Office. These have generally provided positive assurance and endorsement of the services reviewed.
- 5.66. Peer reviews have also been undertaken in the year. The Local Government Association undertook a comprehensive review of the Council’s Communications function. The LGA team included experienced Communications managers from different local authorities, and the Leader of Breckland Council as a Member peer.

- 5.67. The outcome of the review was a number of recommendations that are now being implemented. These will ensure that the Council has internal and external communications functions that are fully aligned with the Council's strategy and priorities moving forwards and that will deliver effective communications in the most cost-efficient and timely manner possible.
- 5.68. An Adult Safeguarding peer review was carried out at the start of May 2017, by colleagues from Sefton Council. The onsite review has been completed, the findings have been discussed with the Adults Service Management Team and work on implementing actions is already underway. For example, a permanent Head of Adult Safeguarding has been appointed, there is a new approach to the Local Safeguarding Adults Board, with a shared Chair across Cheshire East and Cheshire West and Chester and a new scorecard, looking specifically at safeguarding issues in social care practice and the risk stratification of care provides is to be introduced. An update on the review will be presented to the Health and Adult Social Care and Communities Overview and Scrutiny Committee in due course, when responses to all of the actions have been agreed.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- 5.69. 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. Complaints are considered by the Monitoring Officer and an Independent Person. Complaints can be received about Cheshire East Councillors, co-opted members and Town and Parish Councillors.
- 5.70. The promotion of high standards of conduct, and of strong ethical governance among elected members, co-opted Members, and Town and Parish Council Members within the Borough, is critical to the

corporate governance of the authority and to the Council's decision making process across the organisation.

- 5.71. During 2016/17 the Audit and Governance Committee received two update reports from the Monitoring Officer, advising on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed.
- 5.72. The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Declarations of interests are also a standing item on committee agendas. A register of interests for each [Member](#) is available online.
- 5.73. In February 2017, Constitution Committee considered a report on various changes required to be compliant with the new JNC handbook for Chief Executives which reflected changes made to the statutory employment protections for the Head of Paid Service, Chief Finance Officer (the Section 151 Officer) and Monitoring Officer who, together, were referred to as the "Protected Officers".
- 5.74. The report also recommended changes to the Constitution to comply with the new requirements. The changes were required to comply with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and followed the issuing of the revised JNC handbook in October 2016. The report and its recommendations were agreed by Council in [February 2017](#).
- 5.75. During 2016/17, the Chief Operating Officer had Section 151 responsibilities and was 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 complied with the arrangements set out in CIPFA's

Statement on the Role of the Chief Financial Officer in Local Government (2010).

- 5.76. The Director 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.
- 5.77. In light of an ongoing police investigation, “Operation Stones” into the awarding of contracts to Core Fit (recognised as a governance issue in the 2015/16 AGS), the suspension of the Chief Executive and the Director of Legal Services the Council has put temporary senior management arrangements in place. These include the appointment of the Executive Director for People and Deputy Chief Executive as Acting Chief Executive and the appointment of an interim Director of Finance and Procurement (Section 151 Officer) and acting Director of Legal Services (Monitoring Officer).
- 5.78. 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.
- 5.79. The Council’s [Whistleblowing Policy](#) is available on its website and intranet site together with an email address, and details how a referral can be made. A report on the effectiveness of the Council’s whistleblowing arrangements and a breakdown of the number of reports received in 2016/17 will be reported to a future Audit and Governance Committee.

Ensuring openness and comprehensive stakeholder engagement

- 5.80. The Council has stated its commitment to being open, honest and accountable regarding all decisions, actions and outcomes. The ‘Transparency Project’ has continued to make significant progress to

achieve this aim and the Council has achieved compliance with all mandatory requirements of the [Local Government Transparency Code 2015](#) and the Freedom of Information Act 2000, which provides an outline Publication Scheme.

- 5.81. The Council is now [publishing information](#) over and above mandatory requirements. Work is continuing to identify frequently requested datasets with the aim of proactively publishing this data. Some service areas such as Business Rates, Council Tax and Waste Services are already doing this.
- 5.82. The Council’s [open data portal](#) will continue to facilitate the process of uploading data and make it available in meaningful, easily accessible and re-usable formats for the public. It will also be of use internally and should make access to data easier and faster for employees and Members. A communications plan has been established to promote the online portal both internally and externally over the forthcoming year.
- 5.83. The majority of Council meetings allow for members of the public to speak, and are held in public. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. During 2016/17 Cabinet Meetings continued to be broadcast live on the internet, and were [available online](#) to be watched after the event.
- 5.84. 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](#). Information is available on the Council’s website in relation to [current consultations](#) and the feedback received on [previous consultations](#) and the subsequent decisions made, is also available.
- 5.85. 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.

- 5.86. 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 are also asked to complete consultations and surveys, in many cases these will be the same documents as those sent to the Influence Cheshire East panel members.
- 5.87. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. Information is cascaded from the Corporate Leadership Team meeting through Department Management Team meetings to Team/Unit meetings as necessary.
- 5.88. Opportunities for staff to provide feedback exist through line management supervision, team meetings, and an online “Staff Suggestion Box”. Members of staff are encouraged to participate in the “Making a Difference” recognition scheme, nominating colleagues for an instant recognition “Made my day” message, or for nomination in the monthly and annual awards. The recognition panel itself includes volunteers from across the organisation.
- 5.89. Council services use various forms of [social media](#), including Twitter, Facebook, YouTube and Flickr to engage and inform communities and stakeholders. The main Council website has a [Media Hub](#) page, where a variety of information about the Council is published. The Communications team also provide related media releases, where appropriate. [Statutory public notices](#) are also shared online.

6. Review of Effectiveness

- 6.1. 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.
- 6.2. 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 and peer reviews of the Council also provide assurance which is considered in preparing the Statement.
- 6.3. The review has considered the effectiveness of the Council’s governance arrangements against the principles set out in the revised Code of Corporate Governance. Overall, it is considered that the Council’s governance arrangements continue to be fit for purpose in accordance with the governance framework. Significant governance issues arising in 2016/17 have been identified in Section 7.

- 6.4. Table 1 below sets out the progress made against the issues identified previous Annual Governance Statements, which have been monitored through 2016/17. 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.
 - 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
 - Issues identified in the 2015/16 Annual Governance Statement, including the two issues recognised as “Continuing Governance Issues”.
- 6.5. 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 2016](#) and are not repeated here. An update on progress since the December 16 update is provided.
- 6.6. Although they have been identified in previous Statements, the issues of “Council Funding” and “Health and Social Care Integration” have been included again as continuing areas of concern issues for 2016/17 in Table 1. This is to recognise the continuing and increasing significance of these two specific areas, at national and local levels.

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

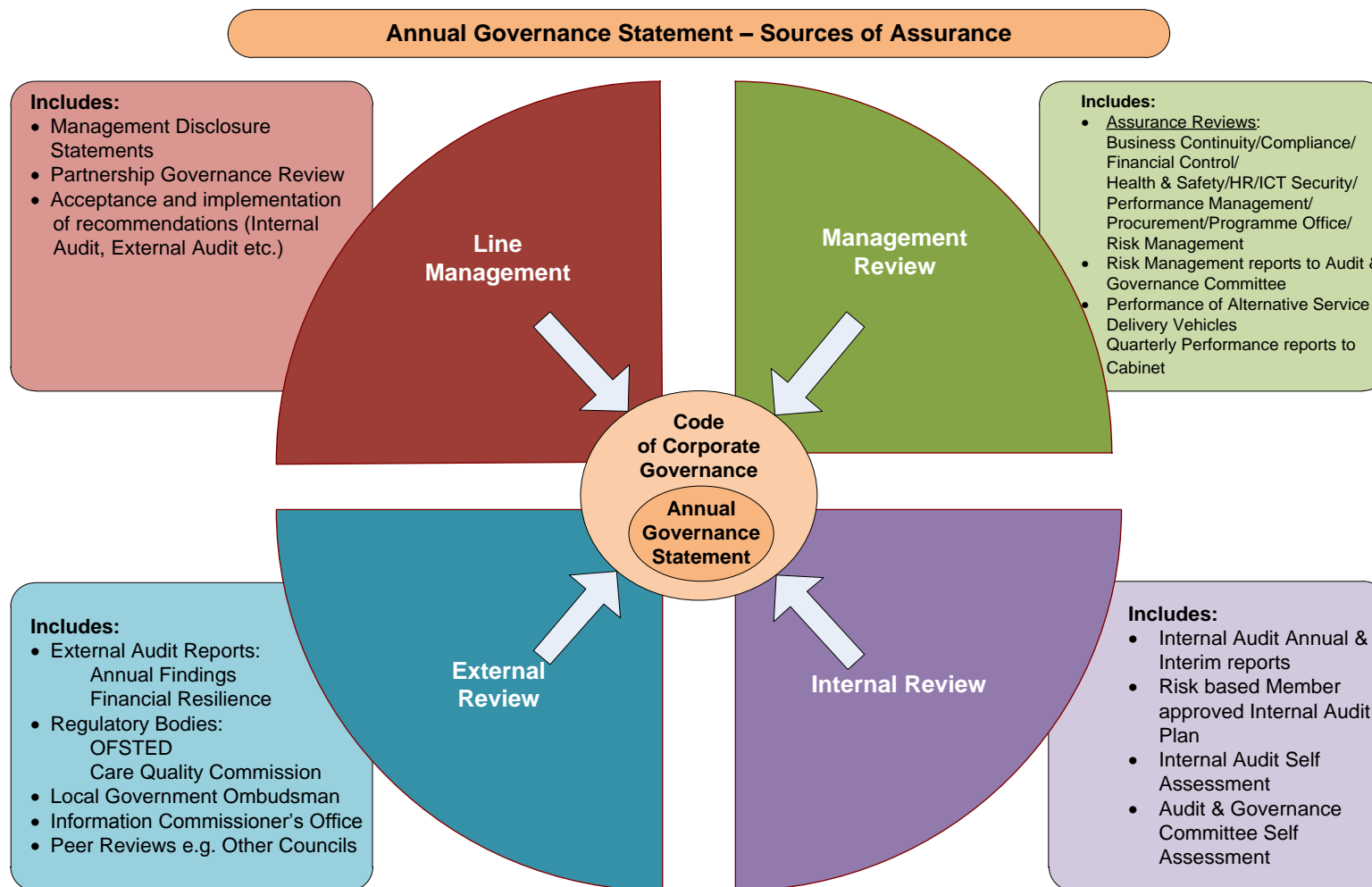


Table 1 – Progress against issues identified in previous Annual Governance Statements

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p>Business Continuity Planning <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p> <p>Current and tested business continuity plans are not consistently in place across all service areas.</p>	Director of Legal Services.	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	<p>A Business Continuity Action Plan is in place and aims to provide the following outcomes:-</p> <ul style="list-style-type: none"> to identify the impact of losing key business processes, the likelihood of occurrence and recovery requirements to identify suitable strategies to offset the risk to critical business processes to ensure the organisation has fit-for-purpose plans and procedures in place to enable it to respond to any incident to ensure staff are made aware of the business continuity management process and are able to perform their roles in an emergency to ensure business continuity strategies remain up to date and fit for purpose and that guidance is available to ensure the consistency of approach to ensure the business continuity management system is continually improved <p>Business Continuity is recognised as a risk on the Corporate Risk Register and is on the risk watch list. The risk is articulated as the risk “that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems, resources, etc.) such that the Council is unable to deliver some, or in extreme cases all of its services; and putting residents at risk for a period of time, and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.”</p> <p>The action plan should reduce the impact of this threat materialising as the various objectives within the action plan</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			are implemented. Interdependencies with other corporate risks have been recognised such as Information Security and Cyber Threat, Increased Major Incidents, and Partnership Working.
<p>Local Economic Partnerships <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p> <p>Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.</p>	Executive Director of Place	Governance arrangements need to be developed that are sufficiently “future proofed” to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council’s relationship with it.	<p>LEPs are required to adopt a Local Assurance Framework (LAF) to ensure that the necessary systems and processes are in place to manage delegated funding from Central government budgets.</p> <p>The Cheshire and Warrington LEP (CWLEP) has an LAF in place which is based on the National Assurance Framework (government guidance on Assurance Frameworks from DCLG). This ‘Growth Programme Assurance and Accountability Framework’ has been developed as a mechanism for the Accountable Body, the CWLEP and key stakeholders to be clear about responsibilities and to ensure good governance.</p> <p>The National Assurance Framework was updated by DCLG in 2016 to improve assurance, transparency and value for money in funding decisions. The CWLEP has reviewed the current arrangements to comply with the new standard and this revised version was agreed and signed off by the LEP Board and Cheshire East Council (CEC) S151 Officer representing the Accountable Body on 28 February 2017.</p> <p>The CWLEP Board has ultimate responsibility for setting the corporate and strategic direction of the CWLEP as defined in its Articles of Association (Company No: 04453576) and delegated decision making and authority is set out in the CWLEP’s Scheme of Delegation. The Board membership was recently revised under the Nolan Principles (ethical standards for Public Office) with new appointments made to widen 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 Final AGS 2016/17
			<p>business composition and scale (including voluntary and social enterprise and SME sectors). All three Local Authorities are represented on the Board. The Leader of the Council attends on behalf of CEC and is briefed on the agenda items prior to the meeting with specific reference to any items impacting on CEC business.</p> <p>Some elements of operational and strategic responsibility are discharged through a series of formal Board sub-Committees each chaired by a member of the CWLEP Board and each with its own defined Terms of Reference. CEC has representation on all these sub-committees and minutes of all meetings are reported through the CWLEP Board.</p> <p>One of the new requirements from the review of the LAF is to have provision for independent scrutiny in place to provide checks and balances in the operation of the partnership. Using guidance from DCLG and best practice from other LEPs the CWLEP Board approved the formation of a new Scrutiny Committee to be made up of a representative from each of the 3 LA's (non-cabinet members) and 2 representatives from the private sector.</p> <p>The role of the Accountable Body is set out in the CWLEP's LAF and is further detailed in a formal letter between the CWLEP and the S151 Officer. A Partnership Agreement is in place along with protocols to differentiate between the Council as Accountable Body (receiving and accountable for Government grant funds on behalf of the CWLEP) and the Council as the beneficiary of CWLEP grant funds (as a project deliverer).</p> <p>Risk management is the responsibility of the Performance and</p>

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			<p>Investment Committee and internal financial controls are managed by the Finance and Audit Committee. The Council's S151 Officer sits on both these committees where matters relevant to the Accountable Body role will be discussed. This includes approval of projects to be supported by Local Growth Fund grant (i.e. proper use of capital resources), and use of Core Funding grant to support the operational running costs of the LEP (i.e. use of revenue funding and assurance of local match funding in the LEP's budget).</p> <p>CWLEP is a non-statutory body and, as such, is not subject to the Freedom of Information Act 2005 or the Environmental Information Regulations 2004. CEC will hold information about funding and payment decisions relating to the CWLEP. This is unlikely to be classified by the Information Commissioners Office as CEC information and will therefore not be subject to FOI. Any requests to CEC will be reviewed within the normal accountable body procedures.</p> <p>The CWLEP also has a whistleblowing procedure which is monitored by the organisation's Finance and Audit Committee. The Accountable Body will be made aware of any whistleblowing submissions to the CWLEP.</p> <p>Internal Officers from CEC Finance, Audit, Legal and Place continue to meet periodically as a group to manage the operational aspects of our Accountable Body role and monitor and review membership of CWLEP sub-committees and working groups to ensure CEC is best represented at all levels.</p>
Project Management <i>Emerging issue identified in the 2013/14 Annual Governance Statement which</i>	Chief Operating Officer	The Council's revised project and programme management approach is now an established part of the governance	The Council has continued to strengthen and embed governance arrangements in relation to project and programme management in 2016/17.

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p><i>required further attention and monitoring to ensure it did not become significant governance issues</i></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>		<p>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>	<p>Amendments to the Council's Finance Procedure Rules came into effect on 1st August 2016 which formally aligned the Constitution with the Executive Monitoring Board's revised Terms of Reference and extended remit. The membership of EMB has also been expanded from two Cabinet Members to three, and enhanced by the involvement of the Executive Directors of People and Place.</p> <p>The strategic review of Corporate Services has seen the Project and Programme Management and Business Improvement teams come together under the overall banner of Professional Services and has subsequently moved under Finance and Performance- this will further bolster the critical relationship between the business planning cycle and the effective governance and implementation of projects, this new team, managed by the Senior Manager (Projects and Change) continues to drive effective project and change management in the Council and its partner organisations.</p> <p>The expertise of qualified and experienced Project Managers is deployed across major change projects to ensure projects deliver on time, to cost and to expected governance standards. Project management processes have been standardised, including monitoring and reporting; monthly highlight reports and project dashboards have been utilised to ensure performance can be reported as part of the quarterly performance management framework, with escalation to CLT, EMB and Cabinet as and when required.</p> <p>Embedded and established project gateways ensure any deviations from the approved business case are articulated and escalated to the appropriate level. Continuous improvement is embedded through the Programme</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>Management Office (PMO) Action Plan which has been audited, reviewed and refreshed in October 2016.</p> <p>Progress has continued on implementing the actions contained within it, including the collation and reporting of quarterly performance indicators for projects and programmes in 2016/17 for the first time, continued training provision and updated guidance on the Council's Centranet and the further development of a robust performance management framework for linking projects to other Council activities through the Business Intelligence Programme.</p> <p>In January 2017 a new Professional Services Management team was put in place. A priority has been to undertake a review of the current arrangements.</p> <p>This review has incorporated the current operation of all stages of projects and programme, including EMB. In addition it is important to note that the budget setting process and associated team planning has required a more disciplined approach to the initiation of projects, which will support the delivery during the year. The Senior Manager (Projects and Change) also carries out additional reviews, in addition to the project health checks commissioned by EMB on key strategic projects and programmes to provide further reassurance and support.</p>
New Service Delivery Models <i>Emerging issue identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure it did not become significant governance issues</i>	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>A review of CERF was commissioned in January 2017 to assess the effectiveness and appropriateness of the existing governance arrangements for the wholly owned companies and to clarify the expectations of CERF as a company in its own right.</p> <p>The CERF review, undertaken by an independent</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<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>			<p>strategy/business growth consultant, concluded that there are clear opportunities to improve the way the ASDV companies are governed and that this should be addressed in order to ensure that "the whole is greater than the sum of the parts".</p> <p>An action plan has been developed to implement the recommendations of the review and address a number of recurring issues and themes that were identified during the review. This includes a fundamental review of the effectiveness and commercial prospects of all of the Council's ASDV companies and whether the current arrangements provide value for Cheshire East residents and the Council as stakeholder. The Portfolio Holder for Finance will be responsible for the implementation of the action plan</p>
<p>Review of Contract Awards re Core Fit</p> <p><i>Recognised as a governance issue in 2015/16</i></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</p>	<p>Director of Finance and Procurement</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 	<p>Audit and Governance Committee received reports (thematic report and individual review) on WARNS at the March, June, September and December 2016 and the March 2017 meetings.</p> <p>Procurement Board has continued to meet and progress improvement in procurement practices across the Council.</p> <p>Audit and Governance Committee received an update report on the findings of the Cardiff Checks which have been carried out to date by the Anti-Fraud Member/Officer Sub Group at the December 2016 meeting and agreed that the assurance received from this work provided them with assurance around procurement. It was agreed that the checks would continue.</p> <p>The Contracts Register update has enabled earlier engagement on re-procurement exercises.</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
police investigations which is ongoing at this time. The internal audit work will continue once the police investigation concludes.		<p>Anti-fraud Member/Officer Sub Group carries out sample checking on 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 CLT 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>Over £500 expenditure reports continue to be published, now available with other data sets as part of the Council's "Open Data" site; https://opendata.cheshireeast.gov.uk/</p> <p>The Police investigation from December 2015 in relation to procurement activity is ongoing. It was agreed at the December 2016 meeting of the Audit and Governance Committee that a new piece of work should be completed to provide assurance to both the Chief Operating Officer and Members that the arrangements currently in place to manage procurement activity are appropriate and effective.</p> <p>Having received confirmation from the Senior Investigating Officer with TITAN, who is leading the investigation that the proposed audit would not impact upon the ongoing police work the audit commenced during March 2017 and has continued into the new financial year. The outcomes of this audit will be reported to a later meeting of Audit and Governance Committee.</p>
Council Funding <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	Director of Finance and Procurement	The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.	<p>Cheshire East Council met on 23 February 2017 and agreed the Medium Term Financial Strategy Report for 2017/18 to 2019/20.</p> <p>The report set out the strategic overview for each outcome</p>

Cheshire East Council – Proposed Final Annual Governance Statement 2016/17

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p>Ongoing 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>Senior accountants are fully engaging, with government and professional bodies (such as CIPFA, SCT, RSN and 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 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>and more details of the actions each service area will be taking over the next three years to deliver the refreshed Corporate Plan Outcomes. This took account where possible of the feedback received from all stakeholders during the consultation period following the publication of the Pre-Budget Consultation document. A separate document detailing all the feedback received was taken to the same Council meeting in February.</p> <p>All proposals to vary the revenue or capital budgets were detailed in the Pre-Budget Consultation document and the MTFS. Supporting business cases, with equality assessments, were also produced for each proposal</p> <p>The report set out forecasts on how the Council's expenditure will be balanced with funding from Government grants, Business Rates and Council Tax over the three years 2017/18 to 2019/20.</p> <p>The proposals in the Pre-Budget consultation document included the option to increase Council Tax by up to 3.99% each year, but the government settlement in December 2016 recognised that social care costs were in fact a national issue, that required greater focus. The consultation feedback and rising in-year costs led to the decision to increase Council Tax by 4.99% overall in 2017/18 with 3% of this increase directly funding Adult Social Care.</p> <p>Overall it is notable that net funding from Council Tax and Business Rates has increased to 88% in 2017/18 from 76% in 2014/15.</p>

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<p>Health and Social Care Integration</p> <p><i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i></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 two acute providers and one Community and mental Health provider 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 the initial aims of the work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) 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>Executive Director of People</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>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 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 (now called A&E Delivery Boards). <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained</p>	<p>The newly published national policy framework for the Improved Better Care Fund (IBCF) now incorporates integration as a key ambition. Whilst this IBCF requirement remains, and is likely to do so until at least 2019, there have been other significant developments regarding health and social care integration that the council may wish to consider and monitor as part of its governance. These include, most prominently, the development of the Cheshire and Merseyside Sustainability and Transformation Partnership (STP) - Five Year Forward View Delivery Plan, which was submitted to NHS England in October 2016. This plan is the main strategic driver regarding the transformation of health services and integration with social care. However, this is a NHS driven initiative not Local Government.</p> <p>The implementation of the plan has the potential to have significant implications for Cheshire East residents' healthcare and on the way that the Council works with NHS partners locally and within the rest of Cheshire, Wirral and Warrington. It also reiterates the importance of progressing the future model of the two transformation programmes in Cheshire East: Caring Together in Eastern Cheshire Clinical Commissioning Group (CCG) and Connecting Care in South Cheshire CCG.</p> <p>To ensure ongoing awareness of the proposals and progress with implementation, the Council attends the STP Senior Responsible Officer's System Management Group and the Cheshire and Wirral Local Delivery System meetings, but has no formal mandate for the Council either politically or from Chief Officers. However, the Officer attending is able to provide advice regarding when and how best to engage with the Council and to remind senior NHS colleagues to consider</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
		<p>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 were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>	<p>the wider system implications of their proposals. The Cheshire East Health and Wellbeing Board is also receiving updates on the progress of the implementation plans and held a joint meeting with the Cheshire West and Chester and Wirral Health and Wellbeing Boards in February 2017.</p> <p>It should be noted that 80% of the STP’s proposed changes will be delivered through the Connecting Care and Caring Together (and West Cheshire Way in Cheshire West) transformation programmes, all of which have Council Officers involved in the detailed planning. There is also an Officer Working group involving colleagues from Cheshire West and Chester, the four Cheshire CCGs and Cheshire East, looking to help drive forward the integration agenda across the Cheshire footprint and where appropriate, adopt a consistent approach to service redesign, for example in developing a single specification for integrated neighbourhood teams.</p> <p>Any formal service redesign or change proposals will be required to go through the usual consultation and overview and scrutiny process. The Council’s Corporate Communications Team is also engaged with the NHS communications support team to ensure there is appropriate sharing of information. Regular meetings are held between the Acting Director of People and the Accountable Officers of the CCGs and with senior officers from NHS England.</p> <p>The delivery of the Five Year Forward View will continue through until 2020 and will thus require ongoing engagement and involvement from the Council over the next three years.</p> <p>Cheshire East’s BCF plan for 2016/17 was fully assured by NHS</p>

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			<p>England and ADASS and the previously reported areas requiring work were met within the required timescales to achieve this. Implementation of the 2016/17 plan is now complete. A programme of evaluation of all BCF schemes was undertaken and has informed the drafting of the 2017 – 2019 Plan in collaboration with the two CCGs. This is a two year plan in line with the Clinical Commissioning Groups' two year planning requirements for this period. The Narrative Plan was submitted to NHS England on 11th September. In summary it's aims are:</p> <p>Cheshire East Better Care Fund Vision...</p> <ul style="list-style-type: none"> • Centre all care around the empowered individual, their goals, communities and carers • Have shared decision-making and supported self-care, family and community care as integral components to all care • Teams built around a person's needs and journeys, jointly accountable for outcomes and joint responsibility for continually improving care • Focus its attention on health promotion, pro-active models of care and population level accountability and outcomes • Continue to tackle health inequalities, the wider causes of ill-health and need for social care support e.g. poverty, isolation, housing problems and debt • Have a strong clinically led primary care and community care system offering a comprehensive modern model of integrated care at scale • Be delivering fully integrated and co-ordinated care, 7 days a week, close to home with a focus on the frail elderly and those with complex care needs

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			<p>Supported by:</p> <ul style="list-style-type: none"> • System re-design of care – co-produced with our public and our workforce • Strengthened and renewed primary care • Shared information systems across health and social care so that people will only ever have to tell their ‘story’ once • New contracting approaches that facilitate costs being moved from the acute sector to the community and that promote collaborations across multiple providers • Joint commissioning utilising the Better Care Fund and other approaches • A range of new roles to support models of care across traditional providers in the public, private and voluntary sector <p>To achieve:</p> <ul style="list-style-type: none"> • Accountability for all health and social treatment and care to the public • High quality, safe care and a robust system of continuous improvement <p>Through the delivery of ‘Better Care’ in Cheshire East 2017-19 to facilitate integrated health and social care, residents in Cheshire East will benefit from an ongoing programme of system-wide improvements that will provide care where possible at community level, reducing the need for inpatient stays and where this is not possible ensuring that time spent in hospital is minimal and follow-up care and support which is joined-up and meets a person’s needs.</p>

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>Integrated Communities: residents will be supported within their communities by employing a mind-set that builds on the principle of community capabilities rather than deficits.</p> <p>Integrated Case Management: residents will receive a more co-ordinated experience of care and support services through the use of a single point of access and our support of seven-day working.</p> <p>Integrated Commissioning: services commissioned for local residents will be based upon strong evidence and proven effectiveness and commissioned as part of a whole system approach to commissioning.</p> <p>Integrated Enablers: On Cheshire East geography this enabling work-stream supports the changes that will enable long-term integration</p> <p>In addition, by the end of 2017/18.</p> <ul style="list-style-type: none"> • Reablement services in Cheshire East will have become fully integrated to address both physical and emotional needs, and will provide an improved outcome for those in Cheshire East. This will be evidenced by an improved reablement score under National Metric 3 (Improved reablement services). • Carer's services will be integrated, providing a single solution for support, which supports wellbeing, de-escalates crisis and maintains quality of life for both the person caring and the person being cared for. This will be evidenced under an improved score under National Metric 3 (Improved reablement services). • Assistive technology reviews start to deliver technology enabled care, reducing the need for people to receive their care in the hospital setting and enabling them to self-care from home. This will be evidenced by an

Cheshire East Council – Proposed Final Annual Governance Statement 2016/17

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>improvement in National Metric 2 (Reducing admissions to residential and nursing care).</p> <ul style="list-style-type: none"> Improved Better Care Funded (iBCF) schemes will provide increased capacity and capability in the community; this is evidenced by a reduction in those requiring residential and nursing home care. <p>Improved use of data locally will mean that the Better Care Fund planning will react to trends much faster than previously, providing a much faster and evidence-based planning process.</p>

7. Significant Governance Issues

7.1. **Table 2** below sets out the significant governance issues the Council recognises as arising during 2016/17. 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 actioning 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 2017/18, and reported on to Corporate Leadership Team and Audit and Governance Committee.

Table 2 - Significant Governance Issues arising in 2016/17

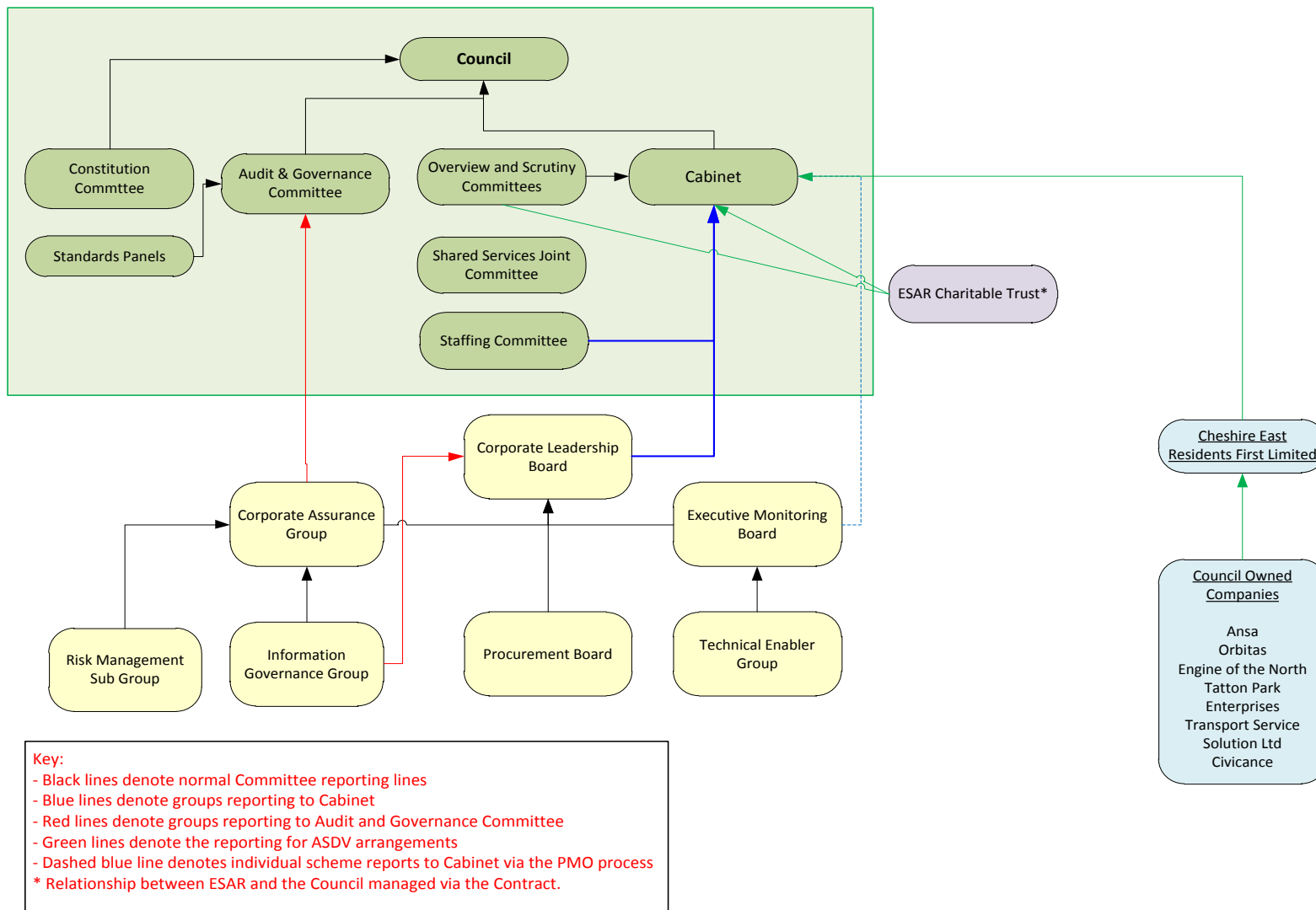
Description	Actions	Responsibility
<p><u>Air Quality Data</u></p> <p>During the preparation of the 2015 Air Quality Annual Status Report, anomalies were discovered between the data submission. Initial investigation identified further anomalies, which also appeared to have affected the previous year's submission.</p> <p>The Chief Executive requested a review of the data returns and the processes in place for monitoring, recording and disseminating air quality data to be undertaken by Internal Audit. This was completed and reported during October 2016, and confirmed that the figures submitted were incorrect and identified improvements to the monitoring process.</p>	<p>One of the recommendations of the Internal Audit report was for further investigation to be carried out with a view to understanding the cause of the errors, to assess the full impact and implications of the errors made, and identify any actions required to ensure that the Council is fulfilling its statutory responsibilities with regards to air quality.</p> <p>The investigation into the Council's monitoring and reporting of Air Quality has been completed. The high level findings reported that ;</p> <ol style="list-style-type: none"> 1. Serious errors have been made in the council's air quality data for 2012, 2013 and 2014. It is clear that these errors are the result of deliberate and systematic manipulation of data from a number of diffusion tubes. 2. The council has been exposed to unacceptable risks to the security of its air quality data as a result of failings within the service to ensure that adequate processes, procedures and systems were in place to manage this data effectively. 3. These errors have caused a number of serious problems for the council. These are as follows: <ul style="list-style-type: none"> • Incorrect data has been submitted to Defra in an annual statutory return, which will need to be corrected and published in the public domain. • These errors and other methodological issues have resulted in a 	<p>Executive Director - Place</p>

	<p>number of deficiencies in relation to Air Quality Management Areas (AQMA) requiring adjustments to be made to the detail of a number of AQMA.</p> <ul style="list-style-type: none"> • The errors may have affected the Detailed Assessments (DA) carried out to determine whether an AQMA should be declared. • The errors have impacted on Air Quality Assessments undertaken as part of the process of considering planning applications. <p>4. The data sets that are aligned to the diffusion tubes that were and are now known to be altered are spread over a wide geographical area, which implies that the manipulation was not motivated by a wish to favour specific sites.</p> <p>5. Phase 2 of the external investigation included a review of planning applications where publication of revised air quality data may have affected the planning decisions. The findings indicate that such planning applications are in the following towns:</p> <ul style="list-style-type: none"> • Nantwich • Congleton • Crewe • Holmes Chapel • Sandbach <p>The statutory return to Defra for 2016 (Annual Status Report) has been reviewed and quality assured as part of the investigation. The council will shortly be in a position to seek the approval of the Director of Public Health for both the 2016 and 2017 ASR submission to Defra. Both the 2016 and 2017 reports are based on corrected data and include actions as recommended by the investigation.</p> <p>The Air Quality team have reviewed their internal processes and procedures to ensure that the risk of data adjustment is minimised. There are now a number of quality control measures in place.</p>	
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	<p>A review of how other statutory data sets are compiled and reported will be undertaken by Internal Audit later in the year.</p> <p>On 19th September, the Council confirmed that concerns over the manipulated air quality data had been referred to Cheshire Constabulary.</p>	
<p><u>Designated Statutory Officers/Investigation and Disciplinary Committee</u></p> <p>During Q4 concerns relating to officer conduct were received by the Deputy Monitoring Officer. In accordance with the processes put in place by Council in February 2017 to deal with such matters (see paragraphs 5.77 and 5.78 above) those concerns were then considered by the Council's Investigation and Disciplinary Committee (IDC). Those processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review.</p>	<p>The Investigation and Disciplinary Committee (IDC) processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive, and subsequently the Director of Legal Services and Monitoring Officer, whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review. The Council will continue to act appropriately to deal with any matters arising from those processes to ensure continuity of service provision and organisational governance.</p>	<p>Acting Chief Executive</p>
<p><u>Berkeley Academy Car Park</u></p> <p>In April 2016, an undertaking was given to The Berkeley Academy by the Council, to make a contribution of £70,000 in support of a scheme for "off highway parking", provided the Academy provided at least 50% in match funding.</p> <p>This undertaking was given ahead of the conclusion of the work of a Task and Finish Group on Safer Parking for Communities from the Corporate Overview and Scrutiny Committee. The findings and recommendations of this Group were to inform policy development and a future programme of work.</p> <p>Therefore, the commitment made to the Academy was not progressed in accordance with any approved policy or budget, and was given prior to the conclusion of an existing review.</p>	<p>Cabinet considered a report at its meeting on 22nd August 2017, which sought authority for the award of grant funding for £70,000 to be given to the Berkeley Academy for the purposes of piloting a safer drop off facility at the school. The report also outlined an approach to the formation of a policy to enable similar proposals to be considered and address congestion at other primary schools.</p> <p>Cabinet authorised the Executive Director of Place to make the grant award in order to inform the development of Council policy in the area. In addition, Cabinet authorised the Executive Director of Place, in consultation with the Director of Legal Services and the Portfolio Holder for Corporate Policy and Legal Services to dispose of any requests received for reimbursement of additional expenses reasonably and properly incurred by the Academy which it is considered the Council may be liable to reimburse flowing from action taken in connection with the undertaking given.</p> <p>On 19th September, the Council confirmed that concerns over the allocation of public funds in making a grant to Berkeley Academy had been referred to Cheshire Constabulary</p>	<p>Executive Director - Place</p>

<p><u>Sleep In Arrangements</u></p> <p>The case law development in relation to sleep in arrangements is a complex national issue, which we are seeking to clarify and resolve. We were originally alerted to a potential breach of the national minimum wage regulations following a national employment appeals tribunal case towards the end of 2013.</p> <p>However, the case law and regulations were contradictory at that time. Legal advice was that we should continue to monitor case law developments but that there was no clear legal basis for action.</p> <p>It was not until April 2017, following the outcome of the national Mencap appeal that the employment appeals tribunal set out detailed tests to be applied on a 'case by case' basis, to determine compliance with the National Minimum Wage and Working Time Directive regulations. At this time the Local Government Association (LGA) advised councils to assess their current arrangements using the published employment appeals tribunal assessment rules.</p> <p>The Acting Chief Executive requested a review be undertaken in all affected services. To this end a pay specialist was employed to support this work, which has involved checking payments made to every worker in receipt of sleep-in arrangements over the past two years. This work is expected to be completed in September.</p> <p>We are in continuing dialogue with both the LGA and North West Employers to progress matters.</p>	<p>That review is now well advanced and its findings and recommendations are due to be reported soon.</p> <p>The review has so far covered:-</p> <ul style="list-style-type: none"> • A number of services that undertake sleep in arrangements have been identified and each is being assessed in line with Employment Appeal Tribunal guidelines. • External specialist support appointed to assist this process and report findings separately. • On-going dialogue with the Trade Unions is taking place to resolve staff grievances. • Compliance with the NMW investigation underway. 	<p>Acting Executive Director People; COO and Head of Strategic HR</p>
<p><u>Land Purchases</u></p> <p>Following an internal audit review of the Council's arrangements for asset disposals and purchases started in July 2017, concerns were identified over a number of acquisitions.</p>	<p>Internal Audit work in this area is ongoing, and findings to date have been referred to Cheshire Constabulary for consideration and further investigation.</p>	<p>Internal Audit, reporting to the Chief Executive.</p>

Appendix 1: The Governance Framework in operation during 2016/17



Ref	Change
Throughout	Detailed small amendments and corrections re punctuation and grammar. Changes in tenses etc to reflect passage of time from June draft to September final.
3.4	Meeting dates updated for review of draft and final AGS by Audit and Governance Committee.
5.7	Final Outturn of Performance 16/17 received by Cabinet and Overview Committee.
5.13	Updated figures re Children In Care
5.20	Updated to reflect current arrangements for review of Constitution as per paper to 4th August Constitution Committee.
5.38	Annual Scrutiny report – due to be taken to October 2017 Council
5.45	A&G self assessment taken to June 2017 A&G Committee
5.48	Annual report of the A&G Committee to go to Sept A&G and then Council
5.51	Annual internal audit opinion to June 2017 A&G Committee
5.65	Summary conclusion on agencies/inspectors etc included
5.68	Update re the Adult Safeguarding peer review
"5.75"	Removal of original paragraph "5.75" (text below) as it duplicates content in 5.20 <i>Under the direction of Members, Officers will be undertaking a full review of the Constitution, beginning in May 2017, to ensure the Constitution fully supports the ambition of being an effective, efficient and responsible organisation, and to ensure that the Council has robust governance arrangements</i>
5.77	Inclusion of reference to "Operation Stones"
Table 1	All items updated to reflect additional progress made in Issues identified in previous Annual Governance Statements since the draft AGS was considered by the Audit and Governance Committee.
7.1	Inclusion of additional items in "Significant Governance Issues": Sleep Ins, Berkeley School Car Park and Land Acquisitions

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28 September 2017
Report of: Chair of the Audit and Governance Committee
Title: Audit and Governance Committee Annual Report 2016/17
Portfolio Holder: n/a

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to consider the draft 2016/17 Annual Report of the Audit and Governance Committee and agree the final version of the report that will go to Council on 19 October 2017.

2.0 Recommendation

- 2.1 That the Committee considers the draft Annual Report 2016/17 as attached (Appendix A) and agree the final version that will go to Council in October 2017.

3.0 Reasons for Recommendation

- 3.1 To report in accordance with the Council's Constitution. The Audit and Governance Committee's Terms of Reference include:
- 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.
 - 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 functions.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications

7.1 None.

8.0 Legal Implications

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

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

9.0 Risk Assessment

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

10.0 Background and Options

10.1 Current CIPFA guidance, *Audit Committees, Practical Guidance for Local Authorities and Police* (2013) states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Aspects to consider include:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control within the authority.

10.2 The requirement to submit an annual report is included within Cheshire East Council's Constitution.

11.0 Access to information

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

Name: Councillor Gordon Baxendale

Designation: Chair of the Audit and Governance Committee

Tel No: 07970 862818

Email: Gordon.Baxendale@cheshireeast.gov.uk



Audit and Governance Committee

Annual Report 2016/2017

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Introduction by the Chair of the Audit and Governance Committee

I am pleased to present the annual report of the Audit and Governance Committee which outlines the Committee's work and responsibilities for 2016/17.

I hope that this report helps to demonstrate to Cheshire East residents and to the Council's other stakeholders, the vital role that is carried out by the Audit and Governance Committee and the contribution it makes to the overall governance arrangements at Cheshire East Council. All Audit and Governance Committee meetings are open to the public.

Regular attendance at the Committee by Senior Officers, Cabinet Portfolio Holders and representatives from the External Auditors demonstrates the priority and importance given to receiving assurance on the effectiveness of the Council's internal controls and systems, particularly in the context of an ongoing financially challenging landscape.

The Audit and Governance Committee has played, and continues to play, a significant part in ensuring that appropriate governance arrangements have been introduced and are functioning properly.

We have continued to successfully develop the self-assessment arrangement for reviewing the effectiveness of the Committee. Areas for improvement have been progressed and action plans developed.



Training sessions for Members of the Committee have been delivered during the year, and an assessment against the core knowledge and skill's framework outlined in CIPFA's "Audit Committees - Practical Guidance for Local Authorities and Police" will be undertaken in 2017/18.

I would like express my thanks to those officers and members who have supported the work of this Committee by presenting and discussing reports.

The Committee has been well attended during the year with constructive questioning and suggestions by members of the Committee throughout. Issues that have been raised by members have been addressed and reported back to the Committee.

Councillor Gordon Baxendale
Chair of the Audit and Governance Committee

September 2017

1. Role of the Audit and Governance Committee

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

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

2. Statement of Purpose of the Audit and Governance Committee

- The Audit and Governance 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.
- It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- It promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

3. Outline of the Work of the Committee

This annual report sets out how the work of the Committee during 2016/17 has met the Terms of Reference on pages 9-12.

4. Governance, Risk and Control within Cheshire East Council

The Audit and Governance Committee outcomes for monitoring the governance, risk and control framework and arrangements of the Council during the year, include the following:

Activity	Meeting Date
Undertaking a self-assessment of the Committee against CIPFA guidance	June 2016
Monitoring the Council's use of its powers under the Regulation of Investigatory Powers Act 2000	Sept 2016
Receiving a report on Customer Feedback 2015/16, including referrals to the Local Government Ombudsman	Sept 2016
Receiving and commenting upon the proposed Treasury Management Strategy and Minimum Revenue Position Statement 2017/18 and considering the Treasury Management Annual Report 2015/16	Sept & Dec 2016
Receiving and noting the Members Code of Conduct Standards Report	Sept 2016 & March 2017
Considering the update on the revision of the Council's Code of Corporate Governance	Dec 2016
Monitoring compliance with Data Protection Act 1998, Freedom of Information Act 2000 and Environmental Information Regulations 2004	March 2017
Receiving a presentation on Information Governance	March 2017
Receiving a presentation on ASDV Governance Arrangements	March 2017
Reviewing reports on the monitoring and review of risk management, to consider the effectiveness of arrangements	June 2016, Dec 2016 and March 2017
Overseeing Internal Audit's operations and receiving the Head of Internal Audit's Opinion	Various & June 2017 for the Opinion
Approving the Council's 2016/17 Statement of Accounts	Draft June 2017 / Final Sept 2017
Approving the Council's 2016/17 Annual Governance Statement	Draft June 2017 / Final Sept 2017
Receiving the External Auditor's Annual Audit Letter, Audit Plans and any other reports and significant matters deemed necessary by the External Auditor	Various
Reviewing the progress and adequacy of management's response to internal and external audit recommendations	Various update reports
Monitoring the quantity and reasons for the issue of Waiver and Record of Non-adherence (WARNs)	Each meeting

Significant assurances the Committee has received during the year include:

- **2015/16 Financial Statements Opinion (External Audit):**

"We gave an unqualified opinion on the Council's accounts on 29 September 2016, meeting the 30 September 2016 deadline. The Council had made progress in drawing forward its closedown timetable. We have worked with the Council throughout the year, to support its improvements in closedown arrangements and working papers and will continue to do so as the finance team make further preparations in readiness for the earlier deadline that will apply for 2017/18. (October 2016)

- **2015/16 Value for Money (VFM) Conclusion (External Audit):**

"We are satisfied that in all significant respects Cheshire East Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016". (October 2016)

- **2016/17 Internal Audit opinion:**

"The Council's framework of risk management, control and governance is assessed as Adequate for 2016/17." (June 2017)

The External Auditor's opinion on the Financial Statements and the Value for Money conclusion for 2016/17 will be presented to the September 2017 meeting of the Audit and Governance Committee. This report will be updated to reflect the reported opinions before being presented to Council.

5. Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The 2016/17 self-assessment was carried out with the Chair and Vice Chair against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2013 and the results reported to the Committee in June 2017.

The Committee assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented. In receiving the report in June 2017, the Committee noted the self-assessment and resolved that further reports on the appointment of formal substitutes, and on Member/Officer Working Groups, be submitted to a future meeting of the Committee.

In June 2016 the Committee considered the ToR and it was agreed that it would be amended to include the establishing of Working Groups and to amend the wording of point 22 (Internal Audit), the changes were approved by the Constitution Committee on 15th July 2016.

The Committee's 2016/17 Work Plan was developed in line with the Terms of Reference to ensure that the Committee continued to work effectively and fulfil its purpose.

In September 2015 the Committee approved the recruitment of an independent person to the Audit and Governance Committee under the Localism Act 2011. At the March 2017 meeting, the newly co-opted Independent Member, Mr Philip Gardner was introduced. The person specification and role was drawn up in accordance with best practice from other authorities and the Chartered Institute of Public Finance and Accountancy.

6. Additional Assurance

It was agreed at the December 2015 meeting that future annual reports of the Committee be expanded to include greater details on any areas of additional work requested by the Committee to provide it with additional assurances, and that it also include analyses of its effectiveness. Additional assurance work requested by the Committee has been provided around emerging issues including:

Whistleblowing Arrangements

In June 2016 the committee was given an update on the effectiveness of the Council's Whistleblowing Policy for which it was responsible for overseeing the arrangements and reviewing its effectiveness. The report included a breakdown of the 16 reports received during 2015/16. Two did not fall under the scope of the Policy, three were unsubstantiated following investigation, and 11 had been included within an ongoing audit. Many of the referrals related to an ongoing high profile procurement issue. If these were excluded from then the number of referrals was consistent with the figures for the two previous years.

The Committee recommended that the Whistleblowing Policy be amended that the list contained in the Policy of those people to whom a referral can be made be amended to include members of the Audit & Governance Committee and the Constitution be amended accordingly. The Constitution Committee resolved that the Policy be amended to include members of the Audit & Governance Committee at the meeting on 15th July 2016.

Ombudsman complaints and lessons learnt

In September 2016 the committee received a report on the complaints, compliments and referrals to the Local Government Ombudsman for 2015/16.

The report 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 during 2015/16 the LGO closed 29 cases relating to Cheshire East. Of the 129 cases, 50 were not directly referred back to the Council, 34 cases were closed after the initial enquiry, 25 were not upheld and 20 were upheld.

Report on Procurement

A number of high profile whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. In response, the scope of an ongoing audit of procurement arrangements was expanded to incorporate the testing of these concerns.

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 remained on hold pending the outcome of the police investigations which are ongoing at this time.

It was agreed at the December 2016 meeting of the Audit and Governance Committee that a new piece of work should be completed to provide assurance to both the Chief Operating Officer and Members that the arrangements currently in place to manage procurement activity are appropriate and effective.

Having received confirmation from the Senior Investigating Officer with TITAN, who is leading the investigation that the proposed audit would not impact upon the ongoing police work the audit commenced during March 2017 and has continued into the new financial year. The outcomes of this audit will be reported to a later meeting of Audit and Governance Committee.

Reporting of all WARNS's (Waiver and Record of Non-adherence):

Following the report of Procurement Manager in March 2016, 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.

From June 2016 onwards summary information has been provided to the Committee as a part one agenda item, with the details being considered as part two, excluding 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.

Review by Member/Officer group of Cardiff checks:

Since March 2016, Councillor Simon and Councillor Marren have selected a sample of invoices for review, the results of the compliance review are discussed at the Counter Fraud Member/Officer group and a summary of the findings was reported to the Committee in December 2016.

7. Members of the Committee

Members of the Committee during 2016/17 are set out on pages 13-15.

The Audit and Governance Committee has been supported by Officers providing reports in accordance with the Committee's work programme and at the request of the Committee. The Committee has routinely been attended by the Chief Operating Officer, the Director of Legal Services and Monitoring Officer, the Head of Finance and Performance, and the Principal Auditors.

8. Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out a number of statutory requirements such as approving the Financial Statements and approving the Annual Governance Statement. It has also ensured that it is up to date in adopting new guidance and/or recommended practice, including:

- The annual review of the Terms of Reference, based on CIPFA guidance.
- Approving updates to the Internal Audit Charter, to ensure compliance with the Public Sector Internal Audit Standards.
- Undertaking a self-assessment of the Committee, based on CIPFA guidance.

9. Training and Development

The following training was carried out during the year:

- Induction for new and deputising Members of the Committee
- Audit and Governance Committee Members and their role in relation to the Whistleblowing Policy
- Annual Governance Statement & Role of the Audit Committee
- Risk Management
- Approving the Financial Statements

The Member/Officer Groups continued to meet through 2016/17. The groups enable individual Members to become more involved in specific areas of audit and governance work as a means of developing in-depth knowledge and expertise, and cover the following areas:

- Audit
- Financial Statements
- Fraud Management
- Corporate Governance
- Risk Management

Members have continued to have access to copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit & Governance Committee Members.

The role and membership of the Member/Officer working groups will be reviewed during 2017/18 following assessment of the Committee's training and development needs.

10. Agendas and Minutes

The committee meetings reviewing the key outputs for the 2016/17 municipal year were held on:

- 30th June 2016
- 29th September 2016
- 8th December 2016
- 16th March 2017
- 1st June 2017 (draft AGS and Accounts for 2016/17)
- 28th September 2017 (*approving AGS and Accounts for 2016/17*)

11. Work programme for 2017/18

The Committee has an agreed work programme for 2017/18, which includes the many annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas. Additionally we will;

- Continue to develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified risks and assurances are identified as early as possible and remedial actions are taken in a timely fashion.
- Oversee the restructuring required of the Audit and Governance Committee to comply with the requirements of the Local Audit and Accountability Act 2014 (including the appointment of Independent Members)
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and moves towards becoming an open and transparent public organisation
- Continue to support the work of internal and external audit and ensure that responses are given to their recommendations
- Oversee the implementation of the updated Public Sector Internal Auditing Standards
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to develop the Audit and Governance Committee to review the risk and partnership issues and safeguarding public sector assets
- Equip existing and new Members to fulfil our responsibilities by providing more detailed and focused training on all key areas of responsibility, including financial arrangements and risk management, governance and audit planning.

Appendix 1

How the Audit and Governance Committee's Terms of Reference were met during 2016/17:

Terms of Reference of Committee	Relevant activity in 2016/17
Annual Report	
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.	<p>The September 2016 Committee meeting reviewed the 2015/16 annual report, this was subsequently received and noted by Council in October 2016.</p> <p>The 2016/17 annual report is to be reviewed at the September 2017 Committee meeting and for submission at a future Council meeting.</p>
Governance, Risk and Control	
To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.	The Committee received and approved an update to the Code of Corporate Governance December 2016.
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.	<p>An update on progress against previous AGS Action Plans was received in December 2016 and endorses the process for the production of the Annual Governance Statement.</p> <p>The Committee received the draft 2016/17 Annual Governance Statement in June 2017 and are due to review the final version in September 2017.</p>
To monitor the effective development and operation of risk management in the council.	The Committee received update reports on Risk Management in June 2016, December 2016 and March 2017.
To monitor progress in addressing risk related issues reported to the committee and to review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources.	<p>The Committee monitors Anti-Fraud and Corruption arrangements on an ongoing basis.</p> <p>The Audit and Governance committee Member/Officer sub group for anti-fraud and corruption discusses and reviews arrangements and current issues as part of their work plan. .</p>
To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.	The Treasury Management 2015/16 Annual Report was received in September 2016. The 2017/18 Treasury Management Strategy and Minimum Revenue Position (MRP)






Terms of Reference of Committee	Relevant activity in 2016/17
	Statement 2017/18 was reviewed at the December 2016 meeting.
Internal Audit	
To approve the internal audit charter.	An updated internal audit charter was approved at the December 2016 committee meeting.
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.	The Committee approved the Summary Internal Audit Plan 2016/17 in March 2016. The Committee monitored progress against the plan (December 2016 & March 2017)
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. To consider summaries of specific internal audit reports as requested.	Internal Audit interim reports against the 2016/17 plan were received in December 2016 and March 2017, with the 2017/18 Internal Audit Plan received in March 2017. Internal Audit interim reports include a summary of internal audit completed and the significant issues arising from individual assignments.
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.	The committee are updated in the Head of Internal Audit annual opinion report on the progress made on assessment criteria required to comply with the Public Sector Internal Audit Standards. The Member/Officer sub group for audit covers the requirements in detail and the actions required, and feedback will now be presented to committee.
To consider the Head of Internal Audit's annual report.	The 2016/17 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2017. The 2015/16 Internal Audit Annual Report was presented to the Committee in June 2016.
To support the development of effective communication with the Head of Internal Audit.	The Principal Auditors (in the absence of a Head of Internal Audit in post), meet on a regular basis with the Chair and Vice Chair of the committee. There are also regular meetings of Member/Officer groups which meet on a regular basis to discuss a variety of assurance

Terms of Reference of Committee	Relevant activity in 2016/17
	issues in more detail. These meetings include the Head of Internal Audit opinion.
External Audit	
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	<p>The 2016/17 Audit Findings Report and Action Plan will be presented to Committee in September 2017 by the External Auditor.</p> <p>The 2015/16 Annual Audit Letter was issued in October 2016 and was reported to the December 2016 Committee meeting. (The 2016/17 Annual Audit Letter will be reported to the Next available meeting after issue).</p>
To consider specific reports as agreed with the external auditor.	The Committee received and considered the work of the External Auditor (all meetings during the year.)
To comment on the scope and depth of external audit work and to ensure it gives value for money	Audit and Governance Member/ Officer sub group for audit review external audit work throughout the year and assess the value that the Council receives from the work completed and reported.
To commission work from internal and external audit and to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	<p>The Audit and Governance committee and the Member/Officer sub groups will consider the work plan at all meetings and commission additional work where committee members determine that additional assurance is required.</p> <p>The relationship between internal and external audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.</p>
Financial Reporting	
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.	<p>The Draft Statement of Accounts 2015/16 was presented to the June 2016 committee, and will be subject to approval at Committee in September 2016.</p> <p>The Statement of Accounts 2014/15 was approved at Committee in September 2015.</p>
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	<p>The 2016/17 Audit Findings and Action Plan will be presented to Committee in September 2017 by the External Auditor.</p> <p>The 2015/16 Annual Audit Letter was issued in October 2016 and was reported to the</p>

Terms of Reference of Committee	Relevant activity in 2016/17
	December 2016 Committee meeting. (The 2016/17 Annual Audit Letter will be reported to the Next available meeting after issue.)
Related Functions	
To approve and monitor Council policies relating to “whistleblowing” and anti-fraud and corruption.	<p>Revised and updated whistleblowing policy arrangements were brought to the committee in June 2016. Fraud and corruption work monitored throughout the year.</p> <p>An update on the effectiveness of the Policy and a breakdown of the number of reports for 2016/17 is due to be reported at the September 2017 meeting.</p>
To seek assurance that customer complaint arrangements are robust	<p>Annual Report of Corporate Complaints and Local Government Ombudsman’s Annual Review 2015/16 presented to Committee in September 2016.</p> <p>The Annual Report of Corporate Complaints and Local Government Ombudsman’s Annual Review 2016/17 will be presented to Committee in September 2017.</p>
Standards	
Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).	<p>Members Code of Conduct Standards Reports updates recording decisions relating to complaints were submitted to the Committee in September 2016 and March 2017.</p> <p>The reports were changed in September 2015 at the request of members to provide more information as to which paragraphs of the Code had been allegedly breached in order to improve monitoring of the Code.</p>
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year.
Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.	The Committee meeting in September 2016 approved the Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2020).

Appendix 2

Membership of the Audit and Governance Committee during 2016/17:

Current Members of the Audit and Governance Committee	
	<p>Councillor Gordon Baxendale</p> <p>Councillor Baxendale has been with Cheshire East Council from its inception in April 2009, and has been a member of the Audit and Governance Committee since June 2015. He chaired his first meeting in December 2016.</p>
	<p>Councillor Mike Sewart (Vice Chair)</p> <p>Councillor Sewart became an elected member of Cheshire East Council in May 2015. He is a new member of the Committee joining in March 2017.</p>
	<p>Councillor Sam Corcoran</p> <p>Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.</p>
	<p>Councillor Tony Dean</p> <p>Councillor Dean became an elected member of Cheshire East Council in May 2015. He is a new member of the Committee joining in June 2017.</p>
	<p>Councillor Rod Fletcher</p> <p>Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Audit and Governance Committee since May 2011.</p>

	<p>Councillor Les Gilbert</p> <p>Councillor Gilbert has been an elected member of Cheshire East Council since its beginning in April 2009. He joined the Audit and Governance Committee in May 2016.</p>
	<p>Councillor Andrew Kolker</p> <p>Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p>
	<p>Councillor Nick Mannion</p> <p>Councillor Mannion became an elected member of Cheshire East Council in May 2015. He joined the Audit & Governance Committee in March 2017.</p>
	<p>Councillor Gill Merry</p> <p>Councillor Merry has been an elected member of Cheshire East Council since its beginning in April 2009. She is a newly appointed member to the Audit & Governance Committee in June 2017.</p>
	<p>Councillor Amanda Stott</p> <p>Councillor Stott became an elected member of Cheshire East Council in May 2015, and has been a member of the Audit and Governance Committee since June 2015.</p>
<p>No image available.</p>	<p>Philip Gardener</p> <p>Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p>

Previous members of the Audit and Governance Committee during 2016/17:	
	<p>Councillor Lesley Smetham (Chair)</p> <p>Councillor Smetham has been an elected member of Cheshire East Council since its beginning in April 2009 and was Chair of the Audit and Governance Committee between June 2015 and June 2016.</p>
	<p>Councillor David Marren (Vice Chair)</p> <p>Councillor Marren became an elected member of Cheshire East Council in May 2011 and served on the Audit and Governance Committee since then, being Vice-Chair from January 2012 until the end of the 2011/12 municipal year. Councillor Marren was re-appointed as Vice Chair of the Audit and Governance Committee in June 2015 until May 2017.</p>
	<p>Councillor Martin Hardy</p> <p>Councillor Hardy has been an elected member of Cheshire East Council since its beginning in April 2009. He has served on the Audit and Governance Committee since its inception in June 2010 until December 2016 and was Vice-Chair from May 2011 to January 2012.</p>
	<p>Councillor Margaret Simon</p> <p>Councillor Simon has been an elected member of Cheshire East Council since its beginning in April 2009. She has served on the Audit and Governance Committee since its inception in June 2010 until May 2017 and was Chair for the 2010/11 year.</p>

It should also be noted that the following Councillors deputised for members of the Audit & Governance at the meeting held on 1st June 2017. Both Councillors received the necessary induction training prior to the meeting:

- Councillor Dorothy Flude
- Councillor Steven Edgar

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CHESHIRE EAST COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting:	28 th September, 2017
Report of:	Compliance and Customer Relations Manager
Subject/Title:	Report on Customer Feedback – Complaints, Compliments and Referrals to Local Government Ombudsman 2016-17
Portfolio Holder:	Councillor Peter Groves

1.0 Report Summary

- 1.1 Feedback from customers is welcomed and encouraged by Cheshire East Council, in order that the information can be used to drive service improvements. This report summarises the formal feedback received from customers during 2016/17, together with a summary of the cases dealt with by the Local Government Ombudsman.
- 1.2 During 2016/17 the Council received 3254 instances of customer feedback – 1503 were compliments, 148 were suggestions and 1603 were complaints. (Details are attached at **Appendices 1a, 1b and 1c.**) Complaints have increased marginally on the previous year - 1603 in 2016/17 compared with 1565 in 2015/16. This increase can be partly attributed to 112 complaints made to the Licensing Team as a result of a campaign by a third party, relating to the changes to the Hackney Carriage table of fares; interested parties were encouraged to submit complaints with a view to seeking recompense. None of these complaints were upheld.
- 1.3 The number of recorded compliments was 1503, compared with 1855 in 2015/16. Almost half of these related to Adult Services. The Council also recorded 148 suggestions (177 in 2015/16). These are neither complaints nor compliments but often suggested changes to policy or working practice.
- 1.4 The Council received 18 complaints from MPs on behalf of their constituents compared with 30 in 2015/16.

2.0 Recommendation

- 2.1 That the Committee notes the contents of this report and makes any further response it considers appropriate.

3.0 Reasons for Recommendations

- 3.1 The Terms of Reference for the Audit and Governance Committee include seeking assurance that customer complaint arrangements are robust.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Adherence to the Corporate Complaints, Suggestions and Complaints Policy, the Children's Social Care Complaints Policy and the Adult Social Care Complaints Policy is key to ensuring that customers have an effective means of feeding back about our services. This is to ensure that we understand what we are doing well and where we may need to improve services we deliver.

7.0 Financial Implications

- 7.1 If fault causing injustice is found, Cheshire East Council can be asked to pay compensation to a complainant. The Council made 9 compensation payments in 2016/17 amounting to £2950.

8.0 Legal Implications

The Committee's responsibilities are set out in the Council's Constitution.

9.0 Risk Management

- 9.1 Robust complaint tracking, handling and monitoring arrangements enable the Council to quickly identify potential internal control issues and areas of regulatory, financial and reputational risk. It is important, therefore, that the action the Council takes following the feedback it receives from customers is appropriate, relevant, implemented and promotes wider learning where necessary. In receiving this report, considering the implications in respect of governance, risk management or control, and supporting the development of robust arrangements, the Audit & Governance Committee makes an important contribution to the Council's assurance process.

10.0 Background and Options

- 10.1 Once a formal complaint has been recorded it is passed to the Service Manager to respond. The customer has a right of appeal (Stage 2) if he/she is not satisfied with the reply. Stage 2 appeals are handled by an officer independent of the complaint. With Adult Social Care complaints, customers are encouraged to come back to the manager who initially investigated the complaint if they remain unhappy with the response. All customers have the right to appeal to the Local Government Ombudsman (LGO) at any stage of the process but the Ombudsman prefers the customer to have exhausted the organisation's complaints procedure first.

10.2 Stage 2 complaints

Corporate – of the 1389 corporate (i.e. non social care) complaints received in 2016/17, 64 (4.6%) customers requested a Stage 2 investigation and 21 (1.5 %) went straight to Stage 2 (for example in cases where there may have already been lengthy e-mail communications between the service and the customer). This compares with 2015/16, when 72 (4.6%) customers requested a Stage 2 investigation and 10 (0.6%) went straight to Stage 2. The main areas which received requests for Stage 2 investigations were Development Management & Enforcement, Council Tax and Highways.

Children's Social Care – 120 new complaints were received in 2016/17, compared with 104 received in 2015/16. Of the 120 complaints, 2 were dealt with at Stage 2.

Adult Social Care – 94 new complaints were received in 2016/17, compared with 105 in 2015/16. 3 complaints were dealt with at Stage 2.

10.3 Frequent Complaints

The most frequent complaints received by the Council in 2016/17 are detailed in **Appendix 2**.

10.4 LGO referrals

All customers are offered the opportunity to appeal to the LGO if they are unhappy with the way in which the Council has handled their complaint. **Appendices 3a and 3b** show the number of Decision Notices issued to the Council during 2016/17 (73) and 2015/16 (79). In 2016/17 the LGO closed 109 cases relating to Cheshire East. Of these 109 cases, 36 were not investigated¹, 44 were closed after the initial enquiry, 17 were not upheld and 12 were upheld in the complainant's favour.

10.5 Comparisons with other local authorities

Cheshire East Council has the **13th** largest population of the **325** local authorities compared in the LGO report and in 2016/17 ranked 63rd highest for complaints/enquiries to the LGO per 10,000 population. (In 2015/16 the Council ranked 62nd highest per 10,000 population.)

	2016-17 Cheshire East	2016-17 National Average	2015/16 Cheshire East	2015/16 National Average
Complaints/enquiries to LGO per 10000 population	3.1	2.5	3.2	2.7
Ranking out of 325 local authorities	63 rd		62 nd	

¹ In these cases, the complainant is given advice, referred back for local resolution or advised that the complaint is incomplete or invalid

10.6 MP's complaints

Responses to complaints from MPs on behalf of their constituents are coordinated by the Chief Executive's Office. The table below details the MPs complaints received during 2016/17 compared with 2015/16:

Service	2016/17	2015/16
Highways and Transport	1	5
Planning	3	5
Children's Services	2	6
Environmental Health, Licensing and Trading Standards		
Adult Services	1	3
Compliance		
ANSA/Waste	1	1
Council Tax and Business Rates	4	2
Communities		4
Housing/Housing Benefit	1	2
Assets	1	1
Orbitas		
Regeneration		
Parking		
Development Management & Enforcement		
Legal and Democratic Services	1	
Leisure	1	
Other	2	1
Total	18	30

10.8 Training and benchmarking

One-day training sessions on Effective Complaints Handling have been delivered by the LGO to managers, Stage 2 investigators and Complaints Coordinators across the organisation.

External benchmarking is also undertaken and members of the Customer Relations and Compliance team meet with their counterparts in other authorities to ensure that the Council is learning from best practice elsewhere. Regular meetings take place with senior management teams to discuss feedback and agree learning points, actions and follow up of these actions.

11.0 Access to Information

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

Customer Relations and Compliance Manager

letusknow@cheshireeast.gov.uk

Cheshire East Council, Westfields, c/o Municipal Buildings, Earle Street, Crewe, CW1 2BJ

COMPLAINTS RECEIVED Appendix 1a

Service Area	Complaints Received 2016 / 2017	Complaints Received 2015 / 2016	Complaints Received 2014 / 2015	Complaints Received 2013 / 2014
Waste & Recycling (Ansa)	287	359	235	1026
Highway Operations	281	227	227	291
Council Tax Business Rates & Billing	188	240	208	155
Development Management & Enforcement	183	165	177	129
Adult Services*	95	111	100	109
Children's Services*	125	105	100	87
Housing Benefits	44	60	74	51
Customer Services	26	40	47	82
Parking Enforcement	36	31	35	50
Grounds Maintenance (Ansa)	20	21	29	42
Transport (TSS)	37	39	29	28
Democratic Services	11	27	24	10
Licensing	123	4	24	2
Environmental Protection	21	15	23	21
Education Complaints	15	19	12	9
Library & Cultural Services	3	12	11	17
Street Cleansing (Ansa)	18	13	11	1
Housing	8	12	10	9
Assets	14	4	10	10
Community Safety	14	12	9	2
Mixed Service Area	4	5	8	12
Spatial Planning	1	0	5	2
Building Control (Civance)	7	3	5	3
Bereavement (Orbitas)	7	4	4	6
Legal Services	7	2	4	3
Land Charges (Civance)	0	13	4	1
HR	0	1	2	1
Leisure	1	2	2	57
Highways Strategy	12	4	1	0
Visitor Economy incl. Tatton Park	3	1	1	0
Regeneration & Economic Development	2	0	1	0
Finance General	0	2	1	0
Procurement	1	1	1	0
Governance & Audit	0	2	1	0
Communications & PR	0	1	0	10
Green Spaces	8	6	0	3
ICT	0	0	0	1
Transformation	0	0	0	1
Planning & Performance	0	0	0	0
Partnerships Business Manager	0	1	0	0
Engine of the North	0	1	0	0
Shared Services	1	0	0	0
Total Complaints	1603	1565	1435	2231

*Figures represent the total of complaints handled under the Corporate Complaints Policy and the Social Care Complaints Policy.

COMPLIMENTS RECEIVED Appendix 1b

Service Area	Compliments Received 2016 / 2017	Compliments Received 2015 / 2016	Compliments Received 2014 / 2015	Compliments Received 2013 / 2014
Adult Services	704	682	669	685
Children's Services	197	558	170	25
Customer Services	118	177	99	127
Waste & Recycling (Ansa)	102	98	86	60
Council Tax Business Rates & Billing	64	52	75	63
Highway Operations	58	42	62	47
Grounds Maintenance (Ansa)	88	79	56	49
Street Cleansing (Ansa)	68	67	50	0
Housing Benefits	28	48	43	54
Development Management & Enforcement	14	14	10	3
Library & Cultural Services	38	14	10	11
Environmental Protection	3	2	4	4
Building Control	0	0	3	1
Parking Enforcement	1	1	2	3
Regeneration & Economic Development	2	0	2	1
Education	2	2	2	0
Licensing	0	2	1	2
Community Safety	2	2	1	0
Housing	2	4	1	0
Visitor Economy incl Tatton Park	0	1	0	0
Leisure	0	0	0	4
Assets	0	1	0	1
Transport (TSS)	0	3	0	0
Green Spaces	5	2	0	0
Finance General	0	0	0	0
Democratic Services	2	0	0	0
Land Charges (Civance)	0	1	0	0
Communications & PR	0	1	0	0
Legal	3	0	0	0
Mixed	2	0	0	0
Governance & Audit	0	2	0	0
Total Compliments	1503	1855	1346	1140

SUGGESTIONS/COMMENTS RECEIVED Appendix 1c

Service Area	Suggestions Received 2016 / 2017	Suggestions Received 2015 / 2016	Suggestions Received 2014 / 2015	Suggestions Received 2013 / 2014
Adult Services**	47	61	57	35
Children's services**	56	75	49	40
Waste & Recycling (Ansa)	12	12	21	21
Highway Operations	9	6	16	6
Grounds Maintenance (Ansa)	2	5	11	0
Customer Services	1	0	5	1
Parking Enforcement	1	0	4	0
Council Tax Business Rates & Billing	3	3	4	1
Development Management & Enforcement	2	3	3	0
Street Cleansing (Ansa)	0	1	2	0
Community Safety	0	0	2	0
Visitor Economy incl Tatton Park	1	0	2	0
Library & Cultural Services	0	3	1	3
Building Control	0	0	1	0
Housing	0	0	1	0
Green Spaces	2	1	1	0
Communications	1	0	1	4
Partnerships Business Manager	0	0	0	2
Licensing	0	0	0	1
Environmental Protection	0	0	0	1
Spatial Planning	0	0	0	1
Highways Strategy	6	0	0	1
Mixed Service Area	1	1	0	0
Bereavement (Orbitas)	0	0	0	0
Housing Benefit	0	2	0	0
Transport (TSS)	1	1	0	0
Assets	2	2	0	0
Governance & Audit	0	1	0	0
Democratic Services	1	0	0	0
Total Suggestions/Comments	148	177	181	117

**In Children's/Adult Services these can be concerns which have not been dealt with as a formal complaint

Frequent Complaints Appendix 2

Service Area	Percentage change from 2015/16 and most frequent cause for complaint	Comments from Services (including learning points)
Waste and Recycling (Ansa)	<p>Reduction of 20% (from 359 in 2015/16 to 287 in 2016/17)</p> <p>Repeated missed collections and inconsistent collections.</p>	<p>Ansa strives to put customer service at the heart of everything we do. Each complaint received is investigated to determine the root cause in order to prevent reoccurrence. We use a variety of different methods to achieve this:</p> <ul style="list-style-type: none"> • Where themes are identified which affect multiple crews we discuss the issue in our team briefs and remind the operatives of the standards required. • Team Leaders perform site visits and continue to monitor the service following rectification. • Where appropriate we use incab technology to remind crews of specific issues e.g. a previously repeated missed collection when the wagon gets within a certain distance of the property.
Highways Operations	<p>Increase of 24% (from 227 in 2015/16 to 281 in 2016/17)</p> <p>Chasing up progress of a fault report.</p> <p>Dissatisfied with the quality/level of repair carried out (potholes or streetlights).</p>	<p>Reduced Highway Investment Programme (HIP) funding in 2016/17 meant a managed decline in term of network condition. The effects of this were minimised through the Council's Asset Management approach, however this was not sufficient to offset an increase in complaints.</p> <p>The level of disruption on the network is seeing a steady increase due to the level of development and growth across the borough. These roadworks are being managed through the Permit team.</p>

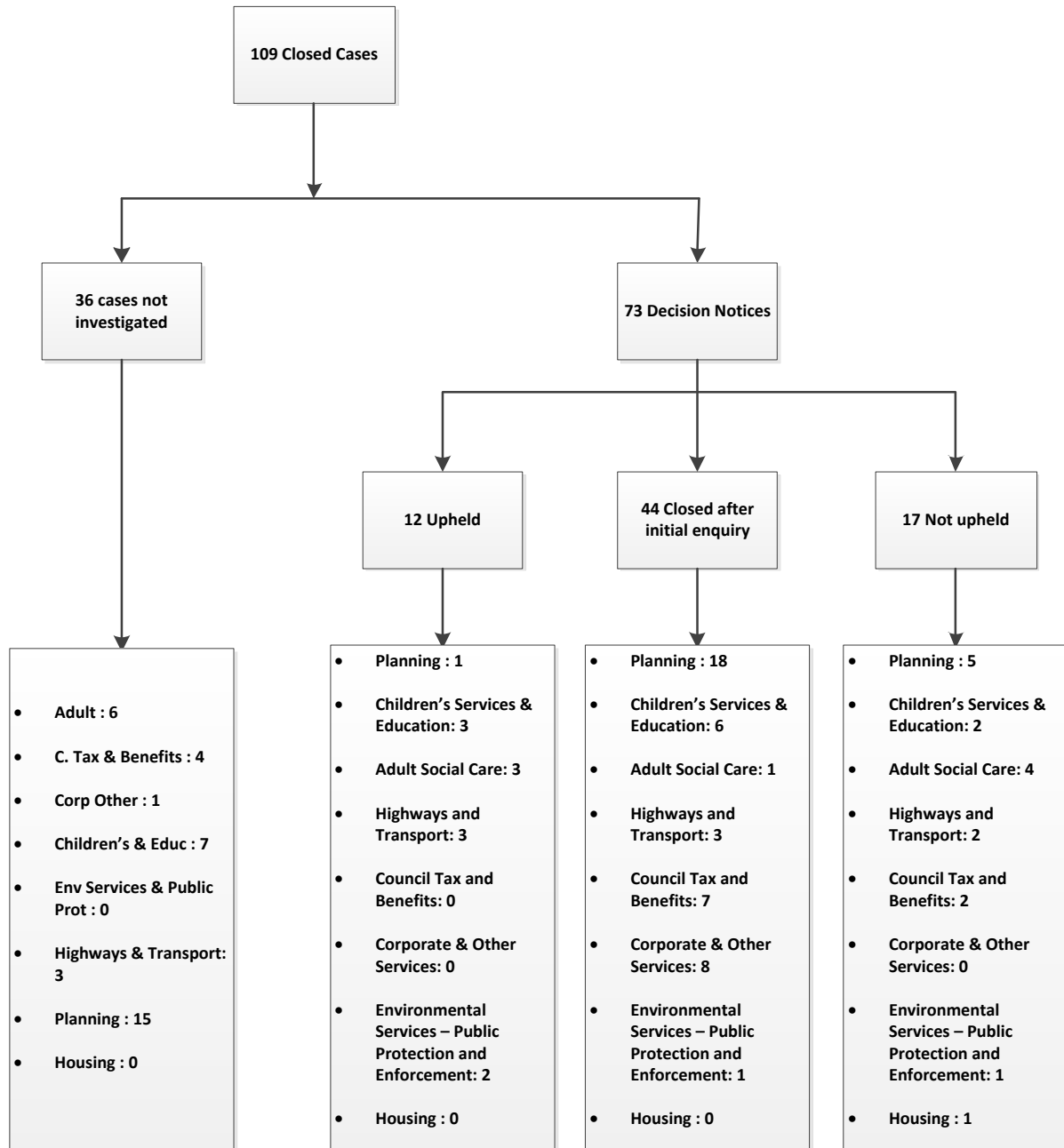
Service Area	Percentage change from 2015/16 and most frequent cause for complaint	Comments from Services (including learning points)
		The Service Provider is assessed against response times to complaints as part of the contract Performance Framework, which has financial implications to incentivise improving performance.
Council Tax, Business Rates and Billing	<p>Reduction of 22% (from 240 in 2015/16 to 188 in 2016/17)</p> <p>Billing - disagree with charge or time taken to process account updates.</p> <p>Recovery action taken - dispute charge owed or believe that Council is too quick to start the recovery process.</p>	<p>The reduction reflects the work carried out to improve our services, including:</p> <ul style="list-style-type: none"> • Better and more readily available phone line access for customers • Adjustments to the website to make information clearer and more user friendly to encourage greater usage of the online facilities available • Improved speed and quality of service when processing documentation <p>Some areas requiring further improvement are:</p> <ul style="list-style-type: none"> • Bailiff complaints: 24% of complaints received related to the actions taken and conduct of the Enforcement Agents. We are looking at ways to increase the level of intervention Revenues staff have once a case has progressed to the Enforcement Agents. Reducing the number of bailiff complaints, which require more investigation, would also reduce average complaint processing time. • Notice complaints: number reduced in 16/17, although they form a large percentage of complaints received. Looking to enhance information and guidance available, possibly to include the introduction of text alerts prior to serving of notice, recovery timetable published online, electronic copies being available to view via customer's online billing account once postal notice served. • Enhanced guidance relating to reductions and unoccupied property discounts.

Service Area	Percentage change from 2015/16 and most frequent cause for complaint	Comments from Services (including learning points)
Development Management & Enforcement	<p>Increase of 11% (from 165 in 2015/16 to 183 in 2016/17)</p> <p>Complainants (3rd parties - not applicants) disagree with the outcome of planning application. Complainants disagree with the lack of enforcement action or inappropriate action taken.</p>	<p>2016/17 has been a very active year for Development Management & Enforcement. The retention and recruitment of staff has resulted in a greater number of overall planning related decisions compared to 2015/16, which is up from 5398 to 6272 decisions in 2016/17. The number of enforcement investigations has also risen from 886 in 2015/16 to 1083 in 2016/17. Complaints against the service proportionally, measured against the number of decisions made, has therefore reduced from 2.6% to 2.5%.</p> <p>Importantly, the number of complaints against service standards has dropped significantly and the majority of complaints are disagreements with the grant of planning permission. The increased level of development taking place in the Borough has also contributed to a greater number of enforcement complaints received. Due to the absence of the Local Plan during this period, decisions to approve housing on sites with significant local opposition have also generated many complaints.</p> <p>Despite the volume of complaints, only one LGO case was upheld during the period. A key learning point has been improved record keeping in the system. A new validation checklist is hoped to enhance the standard of registered planning applications. Work is also being undertaken to ensure unenforceable conditions are not attached to planning permissions, which relates to training of Members and officers.</p>
Adult Services	Reduction of 14% (from 111 2015/16 to 95 in 2016/17)	The number of complaints for Adult Services is down from last year (from 111 to 95).

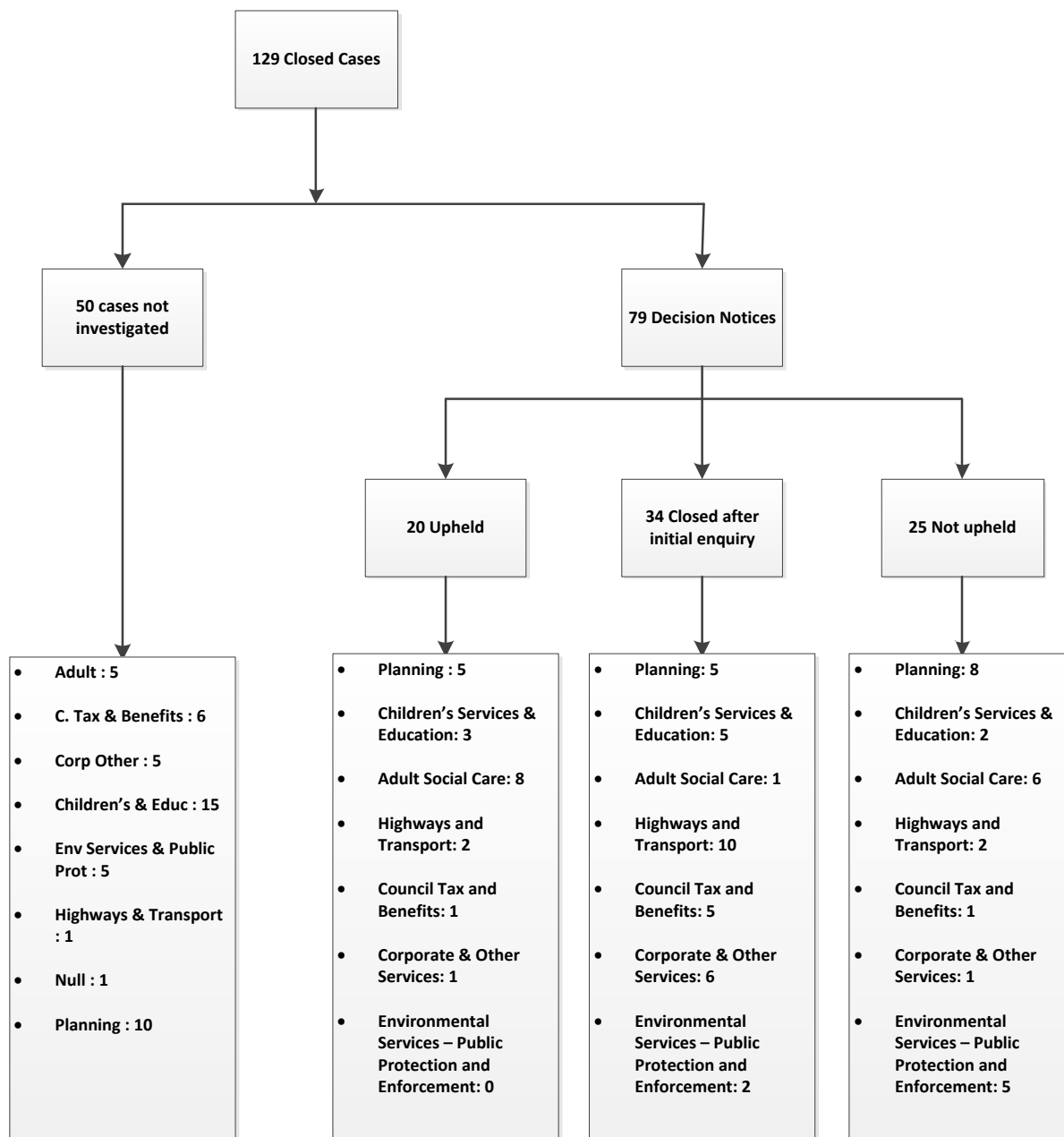
Service Area	Percentage change from 2015/16 and most frequent cause for complaint	Comments from Services (including learning points)
	Charges for homecare when the service user had been in hospital; system errors incorrectly showing the service user's account to be in arrears; lack of clarity re top up payments	<p>The number of compliments received by Adult Services is up from last year (from 682 to 704).</p> <p>The number of LGO cases is down (from 20 to 14); of the 14 referred to the LGO, 3 (21%) were upheld (as opposed to 8 out of 20 (40%) for 2015/16).</p> <p>There has been a significant reduction in the number of complaints to Adult Social care in 2016/17. In relation to the three specific areas identified:</p> <ul style="list-style-type: none"> - The local authority position is that we do not charge for home care for people who are admitted to hospital. There may be a charge applied, however, if there is a delay in notifying us of someone going into hospital. This is something that is rectified as soon as we are made aware of it. - Where information relating to an individual's account is inaccurate we would seek to remedy that situation as soon as possible. - Top-up arrangements for care homes are a complex and potentially confusing area for all; there is an agreed top-up policy but we recognise this is an area for further training and support

Service Area	Percentage change from 2015/16 and most frequent cause for complaint	Comments from Services (including learning points)
Children's services	<p>Increase of 19% (from 105 in 2015/16 to 125 in 2016/17)</p> <p>Inaccuracies in reports and assessments; poor communication; delays in completing reports and assessments; lack of information provided by staff including updates and lack of notice about meetings; issues with contact arrangements with children – cancellations, lack of contact.</p>	<p>The increase in complaints received is good reassurance that children and families are made aware of the complaints process and are providing valuable feedback on the quality and timeliness of our service delivery.</p> <p>The rise in complaints should be seen in the context that the service supported nearly 5000 children and young people and their families in 2016/17. However we continue to work hard to address the themes from complaints so we improve our service to our vulnerable children and families. In response to complaints, we track the actions agreed to improve our performance and recently we have implemented changes to how we organise meetings so they are timelier. However this remains an area of continued focus and improvement.</p>

LGO DECISION NOTICES 2016/17 Appendix 3a



LGO DECISION NOTICES 2015/16 Appendix 3b



CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28 September 2017
Report of: Acting Director of Legal Services and Monitoring Officer
Subject/Title: Members' Code of Conduct: Standards Report
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

- 1.1 The purpose of the report is to advise the Committee of the number of complaints received under the code of conduct for Members which have been, or are to be considered by the Acting Director of Legal Services (in his capacity as the authority's Monitoring Officer) and the Independent Person. The report also notes the outcome, where complaints have been concluded.
- 1.2 The report previously considered by the Committee contained details of complaints received up to and including 28 February 2017. This report covers the period 1 March 2017 to the end of August 2017.

2.0 Recommendation

- 2.1 To note the report.

3.0 Reasons for Recommendation

- 3.1 To assist the Audit and Governance Committee in fulfilling its responsibility for promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The Localism Act places a statutory duty upon the Council to promote and maintain high standards of conduct amongst its own elected members, co-opted members and town and parish council members within the borough. Strong ethical governance is critical to good corporate governance of the authority and also supports the Council's decision-making processes across the organisation.

7.0 Financial Implications

7.1 None identified.

8.0 Legal Implications

8.1 The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of members whenever they act in their official capacity. The Council must also have in place a suitable procedure at a local level to investigate and determine allegations against members.

8.2 The Code of Conduct also covers co-opted members.

8.3 The Council is also responsible for having arrangements in place to investigate and determine allegations against town and parish councillors.

9.0 Risk Management

9.1 If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

10.0 Background

10.1 Cheshire East Council adopted its Members' Code of Conduct in July 2012. It is the responsibility of the Audit and Governance Committee to monitor this code.

10.2 The report sets out details of the complaints received under the Members' Code of Conduct for the period 1 March 2017 to 31 August 2017 and, where concluded, the outcome.

10.3 Of the complaints received before 1 March 2017 and reported to the last meeting; two town council complaints remains ongoing; which were referred for external investigation.

11.0 Summary of Complaints received

11.1 Between 1 March 2017 and 31 August 2017, 24 complaints were received by the Monitoring Officer. 8 complaints concerned a member of Cheshire East Council, whilst 16 were against members of a town or parish council within the borough.

11.2 Of the above, 4 complaints concern members who are both borough and town/parish councillors. However, as the allegations within the complaint concerned town/parish matters, they have been treated as town/parish complaints for the purposes of this report.

11.3 The complaints can be broken down further as follows.

12.0 Complaints made against Cheshire East Councillors

12.1 In the 8 complaints received, the following paragraphs of Cheshire East Council's Members' Code of Conduct were identified as allegedly having been breached:

Part A: General obligations		paragraph
1	Selflessness	3
2	Integrity	3
3	Objectivity	6
4	Accountability	4
5	openness (a) transparency	3
	openness (b) disclosure	0
6	honesty (a) declaring interests	3
	honesty (b) use of resources	3
7	respect for others (a) courtesy	3
	respect for others (b) equality	0
	respect for others (c) impartiality	2
	respect for others (d) bullying	1
8	leadership	4
9	gifts and hospitality	0
Part B: registering and declaring pecuniary and non pecuniary interests		
Failure to register		0

[Note: the numbers may not tally with the number of complaints received as a complainant may identify none or more than one paragraph in their complaint.]

12.2 The decision of the Acting Monitoring Officer was as follows:

Complaints awaiting initial assessment	4
No further action to be taken	3
Referred to the Monitoring Officer for informal resolution	0
Referred to Group Leader for informal action	0
To be referred by the Monitoring Officer for external investigation	0
Referred to the Police or other regulatory agency	0

12.3 For completeness, one complaint was withdrawn prior to being considered at initial assessment stage.

13.0 Complaints made against Town/Parish Councillors

- 13.1 Of the 16 complaints received between March 2017 and August 2017, the following paragraphs of the relevant town/parish council code of conduct were identified as allegedly having been breached:

<u>Part A: General obligations</u>		<u>paragraph</u>
1	selflessness	5
2	integrity	9
3	objectivity	9
4	accountability	7
5	openness (a) transparency	5
	openness (b) disclosure	0
6	honesty (a) declaring interests	4
	honesty (b) use of resources	2
7	respect for others (a) courtesy	11
	respect for others (b) equality	3
	respect for others (c) impartiality	6
	respect for others (d) bullying	9
8	leadership	7
9	gifts and hospitality	0

<u>Part B: registering and declaring pecuniary and non pecuniary interests</u>	
Failure to register	1

[Note: the numbers may not tally to the number of complaints received as a complainant may identify none or more than one paragraph in his/her complaint.]

- 13.2 The decision of the Acting Monitoring Officer was as follows:

Complaints awaiting initial assessment	10
No further action to be taken	5
Deferred for further information	0
Referred to Monitoring Officer for informal local resolution	0
Referred to Group Leader for informal action	0
To be referred by the Monitoring Officer for external investigation	0
Referred to the Police or other regulatory agency	0

- 13.3 For completeness, one complaint was withdrawn prior to being considered at initial assessment stage.

14.0 Administering the process

- 14.1 The Acting Monitoring Officer continues to receive a steady number of complaints. Dealing with these complaints and often the preliminary advice and interaction with complainants before a complaint can be formally progressed, takes a significant number of officer hours. The process itself by its very nature is detailed and requires a clear record of all decisions and complaints to be maintained.

- 14.2 The current procedure for dealing with standards complaints has increased the speed at which complaints are dealt with, although this has recently been affected by the volume of complaints submitted to the Council since May 2017.
- 14.3 In comparing the number of complaints received to the previous six months, there has been a rise in the number submitted (up from 18 to 24). The split between borough and town/parish council has also changed, with more complaints being received about borough members.
- 14.4 When compared to the same period last year i.e. March to August 2016, the number of complaints received has increased significantly. Furthermore, the number of complaints received during March – August 2017 (24), has already matched that received for the whole of 16-17, which if it continues, indicates an upward trend in the number of complaints coming forward for consideration.

15.0 Access to information

- 15.1 There are no background papers relating to this report.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting:	28 th September 2017
Report of:	Director of Legal Services
Title:	Whistleblowing Arrangements
Portfolio Holder:	Councillor Paul Findlow

1.0 Report Summary

- 1.1 To provide the Committee with a breakdown of the number of reports received during 2016/17, and an update on a forthcoming independent review of the Council's whistleblowing arrangements.

2.0 Recommendations

- 2.1 That the Committee note the report and endorse the external 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

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 Following the last Whistleblowing Arrangements update report to this Committee in June 2016, the Audit and Governance Committee recommended to the Constitution Committee that the list contained in the Whistleblowing Policy of those people to whom a referral can be made, should be amended to include Members of the Audit and Governance Committee.
- 10.7 This recommendation was endorsed by the Constitution Committee on 15th July 2016 and all Members of the Committee received guidance to support them should they be approached under the Policy.

Reports received during 2016/17

- 10.8 During 2016/17, a total of 13 whistleblowing reports were received by the Council, which can be broken down as follows:
- 6 did not fall under the scope of the policy and were therefore referred to the appropriate service/organisation for action;
 - 2 were unsubstantiated following investigation;
 - 1 was referred to Environmental Health for further investigation;
 - 1 was upheld following investigation and appropriate remedial action taken;
 - 2 where it was not possible to conclude the investigation as the officer concerned left the Council; and
 - 1 referral is still subject to investigation.
- Appropriate remedial action will be taken to address any control weaknesses identified during this process.
- 10.9 This represents an 18.75% decrease in the total number of referrals when compared to those received in 2015/16. However, the previous figures were particularly high as they included 7 referrals relating to the same procurement issue, and, when these are discounted, the year on year figures are consistent.
- 10.10 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.

- 10.11 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.

Review of Whistleblowing Arrangements

- 10.12 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.
- 10.13 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.
- 10.14 Given recent concerns in the press and on social media around the potential effectiveness of the Council's whistleblowing arrangements and issues raised by members of the Audit and Governance Committee, the Council wishes to ensure that every effort is taken to improve confidence in our arrangements and that all staff feel able to voice any concerns that they may have.
- 10.15 Cheshire East Council is undertaking a review of its existing whistleblowing arrangements to ensure that the end to end process is fit for purpose and that there is adequate support in place for its staff. Further to a procurement exercise the Council has appointed Public Concern at Work (PCaW) to deliver additional whistleblowing support to complement its current arrangements and undertake a review of current arrangements.
- 10.16 Public Concern at Work is an independent whistleblowing charity and legal advice centre. Launched in 1993; they have worked extensively in a variety of ways with many commercial, financial, voluntary, and public sector organisations including: the John Lewis Partnership, ITV, Home Retail Group, Royal Berkshire NHS Trust, NHS Scotland, the General Medical Council, and the CIPD to provide a wide array of business support and professional services.
- 10.17 The level of support they will provide to Cheshire East Council is as follows:
- Provision of an independent Whistleblowing Advice Line (email and Freephone number during the working hours of 09.00am - 6.00pm Monday to Friday, excluding bank holidays) providing safe and confidential advice to our staff should they ever find

themselves in a dilemma about what to do if they witness wrongdoing in their workplace.

- A full desk based review of current policy, procedures and supporting documents, to be benchmarked against the Whistleblowing Commission's Code of Practice. PCaW will provide a RAG rated report with recommendations and an action plan for improvement.

This will be supported by a full communications plan, and is expected to go live during September 2017.

- 10.18 The Council's Audit and Governance Committee will receive regular updates on the implementation and progress of this independent whistleblowing support service along with the final review report, including recommendations and an action plan for improvement. The Committee will also receive an annual report on the volumes of calls to the advice line and Freephone number.

11.0 Access to Information

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

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28th September 2017
Report of: Corporate Manager Governance and Audit
Title: Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with an update in relation to the independent Public Sector Internal Audit Standards (PSIAS) external assessment which is scheduled to take place later in the 2017/18 year.

2.0 Recommendation

- 2.1 That the Committee:
- i) is asked to note the forthcoming external assessment of Internal Audit against PSIAS and its scope and to agree that the Council's Chief Executive is appointed as sponsor of the assessment.

3.0 Reasons for Recommendation

- 3.1 This aligns with the Audit and Governance Committee's terms of reference, work programme, and overall responsibility for governance, ensuring the efficiency and effectiveness of Internal Audit arrangements on an ongoing basis.

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. There are no direct financial implications arising from the report, other than the commitment required from the Council's Internal Audit team to participate in peer reviews as part of the agreement with the North West Chief Audit Executive Group. This commitment has been included in internal audit planning process for 2017/18.

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 2015 establishes a specific responsibility for the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards or guidance”.
- 8.2 Undertaking an external assessment provides independent assurance on Internal Audit’s compliance with the Standards.

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 2015.

10.0 Background

- 10.1 Internal Audit is required to comply with the PSIAS which were introduced with effect from 1 April 2013. As part of the PSIAS, the Head of Internal Audit must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of Internal Audit activity. The QAIP should be designed to enable an evaluation of Internal Audit’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics, all of which form part of the PSIAS. The QAIP should also assess the efficiency and effectiveness of Internal Audit activity and identify opportunities for improvement.
- 10.2 Performance against the QAIP is reported to Committee through the Internal Audit Update reports, with additional specific reports as necessary, for example, where changes to the Internal Audit Charter have been required. As previously reported to Committee, a self assessment against
- 10.3 One of the key requirements of the QAIP set out within the PSIAS is for an external assessment to be carried out on Internal Audit at least every five years. Such an external assessment would be focused on appraising and expressing an opinion on Internal Audit’s conformance with the PSIAS’ Definition of Internal Auditing and Code of Ethics and include recommendations for improvement where appropriate. All local authorities should have had their first external assessment by 31 March 2018.
- 10.4 As previously reported to Committee, the North West Chief Audit Executives’ Group (NWCAEG) has initiated a “peer review” process, to be developed, managed and operated by the constituent authorities. Pilot reviews have been undertaken and the main programme of reviews is now underway. Internal Audit’s Principal Auditors will be undertaking reviews of other participating authorities. It is currently anticipated that the external assessment of Internal Audit for Cheshire East Council will take place in the last quarter of 2017/18.
- 10.5 The scope of the assessment is set out in the NWCAEG Memorandum of Understanding (MoU). This has been included for Member’s information in Appendix 1. The assessment will involve a review of supporting documentation and a survey of key stakeholders at the Council. This will

include the Chief Executive, Director of Finance and Procurement as Section 151 Officer, Monitoring Officer, the Chair of the Audit and Governance Committee, other Corporate Leadership Team attendees and a sample of auditees.

- 10.6 The assessment will be carried out by two independent Heads of Internal Audit or their delegated representatives, who will have declared that they have no conflict of interests in undertaking the assessment. It is proposed that the Council's Chief Executive acts as sponsor for the external assessment.
- 10.7 The results of the external assessment will be reported back to the Audit and Governance Committee. The assessment report will be supported by an action plan, which will address any significant comments and recommendations identified by the review. Any significant areas of non-conformance with the Standards will be reported in the Internal Audit Annual Report and will also be reflected in the Annual Governance Statement.

11.0 Access to information

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

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North West Chief Audit Executives' Group

Peer Review

Memorandum of Understanding

Version 5.4, March 2017

Introduction

The Public Sector Internal Audit Standards (PSIAS) require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

Following the introduction of the PSIAS, the North West Chief Audit Executives' Group (NWCAE) developed a 'peer review' process to be managed and operated by the constituent authorities to meet this requirement. This process addresses the requirement of a 'self-assessment with independent external validation'.

This Memorandum of Understanding (MoU) sets out the broad basis and methodology upon which the constituent authorities agree to participate in the scheme and how the activity will be carried out.

Constituent Authorities

The constituent authorities comprise those that make up the membership of the NWCAE Group, less those that have explicitly 'opted out'. A full list of participating authorities is included at Appendix 1.

It is the responsibility of the Head of Internal Audit (or equivalent) from each authority to seek approval for participation and communicate the purpose and methodology of the peer review process to 'those charged with governance' at their authority. This will in all likelihood include: Chief Finance Officer/Section 151; Chief Executive and/or Corporate Management Team; Chair of and/or Audit & Governance (or equivalent) Committee.

Assessment Team

The Assessment Team will comprise a minimum of two Heads of Internal Audit from the Constituent Authorities. One member of the Team may be a deputy Head of Internal Audit or Audit Manager providing they are suitably qualified and experienced to meet the definitions set out within the PSIAS.

Duration of the Memorandum of Understanding

This MoU is effective from 1 July 2015 to 31 March 2018, the end of the first five year period since the introduction of the PSIAS and by when each authority's internal audit section should have had their first external review. This MoU and process will be subject to ongoing formal review and updated in line with any developments or changes in the PSIAS.

Governance

Overall governance of the process, methodology and delivery of the peer review process is the responsibility of the NWCAE Group. For the development and piloting of the process, the NWCAE Group delegated responsibility to a Peer Review Sub-Group made up of the heads of audit from the following local authorities:

- Rochdale BC;

- Stockport MBC;
- Cheshire East BC;
- Wirral MBC;
- Warrington BC; and
- Cheshire West & Chester BC.

Whilst the Sub-Group have responsibility for overall co-ordination of the peer review process, responsibility for ensuring compliance with the PSIAS in terms of external assessment will always remain with the Head of Internal Audit for each individual Authority.

Cost

There is no direct cost for participating in this process. However, it should be made clear that agreement to participate does require a 'time' commitment and that 'time' as a reviewer, moderator or authority under review cannot be claimed and/or recharged. It will be for the NWCAE Group (or its delegated group/individuals) to ensure that the 'time burden' is evenly spread with each participating authority taking its share.

Methodology

This MoU sets out a broad methodology for self-assessment with independent validation and is set out covering the three main stages of review: pre-review; on-site review; post-review. Accepting that improvement actions may have been implemented since the closure of any audit year, the review will focus on audit activity during the period covered in the latest Head of Internal Audit Annual Report & Opinion. For example, reviews commencing after 1 July 2016 will cover the audit year 1 April 2015 to 31 March 2016.

1. Pre-review

The authority to be reviewed, the review team and the moderation team will be selected and agreed by the NWCAE Group (or its nominated sub-Group).

An appropriate 'lead in' time, of not less than 4 weeks, should be allowed prior to any on-site review.

Each authority will be required to complete and share its self-evaluation of the Internal Audit service against the PSIAS together with any relevant supporting evidence/documentation in advance of on-site review commencement. The NWCAE Group has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan & Charter, The Head of Internal Audit Annual Report & Opinion, Quality Assurance & Improvement Programme and examples of final audit reports.

To support the on-site review, a customer survey form will be issued to key personnel within the authority being reviewed. A copy of the questionnaire is attached at Appendix 2 and this will be issued during the 'lead in' period to the following or may be used as the basis for the interview with them:

- Chief Executive;

- Chief Finance Officer/Section 151;
- Monitoring Officer;
- Chair of Audit & Governance Committee (or equivalent);
- Corporate Management Team (or equivalent); and
- A sample of auditees.

A slightly different questionnaire may be used for members of the Internal Audit team who are interviewed – see Appendix 3.

The Head of Internal Audit from the Authority being reviewed will act as the key point of contact and will be responsible for communication, within their own Authority, of the purpose and timing of the review, the provision of documentation and the facilitation of on-site activity.

2. On-site Review

The review itself will comprise a combination of ‘desktop’ and ‘actual on-site’ review. The key stages of the review are set out within a checklist which is attached as Appendix 4.

The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the ‘desktop’ period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Each Authority will be assessed against three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution, together with a view on the Impact of the Internal Audit service within the organisation concerned.

The focus of the four themes is as follows:

- **Purpose and positioning** – Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
- **Structure and resources** – Does the internal audit service have the appropriate structure and resources to deliver the expected service?
- **Audit execution** – Does the internal audit service have the processes to deliver an effective and efficient internal audit service?
- **Impact** – Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation? Whilst this theme does not align directly with the requirements set out in the PSIAS or LGAN, and therefore does not contribute directly to the view of conformance to the PSIAS, it should add further value to the outcomes from the review.

The key considerations under each theme together with an alignment against each theme of the self-assessment checklist are detailed in Table 1 below.

Table 1: Alignment of the model with the core areas of the Self-Assessment checklist

Purpose & Positioning	Structure & Resources	Audit Execution	Impact
<ul style="list-style-type: none"> • Remit • Reporting lines • Independence • Risk based plan • Integration with other assurance providers 	<ul style="list-style-type: none"> • Competencies to deliver IA remit • Technical training & development • Resourcing • Performance management • Knowledge management 	<ul style="list-style-type: none"> • Management of the IA function • Engagement planning • Engagement delivery • Reporting 	<ul style="list-style-type: none"> • Standing and reputation of internal audit • Impact on organisational delivery • Impact on governance, risk, and control
Core Headings within the Self-Assessment Model			
<ul style="list-style-type: none"> • Code of ethics • 1000 Purpose, Authority and Responsibility • 1100 Independence and Objectivity • 1110 Organisational independence • 1111 Direct interaction with the Board • 1120 Individual objectivity • 1130 Impairment to independence or objectivity • 2010 Planning • 2020 Communication and approval • 2030 Resource management • 2050 Co-ordination • 2060 Reporting to Senior Management and the Board • 2100 Nature of Work • 2110 Governance • 2120 Risk management • 2130 Control 	<ul style="list-style-type: none"> • Code of ethics • 1200 Proficiency and Due Professional Care • 1210 Proficiency • 1220 Due professional care • 1230 Continuing professional development • 2030 Resource management 	<ul style="list-style-type: none"> • 1300 Quality Assurance and Improvement Programme • 1311 Internal assessments • 1320 Reporting on the QAIP • 2000 Managing the Internal Audit Activity • 2010 Planning • 2040 Policies and procedures • 2100 Nature of Work • 2120 Risk management • 2200 Engagement Planning • 2210 Engagement objectives • 2220 Engagement scope • 2230 Engagement resource allocation • 2240 Engagement work programme • 2300 Performing the Engagement • 2310 Identifying information 	

Purpose & Positioning	Structure & Resources	Audit Execution	Impact
		<ul style="list-style-type: none"> • 2320 Analysis and evaluation • 2330 Documenting information • 2340 Engagement supervision • 2400 Communicating the Results • 2410 Criteria for communicating • 2420 Quality of communications • 2440 Disseminating results • 2450 Overall opinion • 2500 Monitoring Progress • 2600 Communicating the Acceptance of Risks 	

The Review team will offer a 'true and fair' judgement and it is proposed that each Authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the three themed scores which align with the LGAN will give an overall Authority score.

- **Conforms** – indicates that the internal audit service complies with all fundamental elements of the PSIAS and the majority of individual statements of good practice in all material respects;
- **Partially Conforms** – indicates that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development or opportunities for improvement in delivering effective internal audit;
- **Does Not Conform** – indicates that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many or all of the objectives and good practice statements. Such deficiencies would usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation and would also represent significant opportunities for change.

3. Post Review

A summary report detailing key findings, suggested areas for improvement and the theme and overall scores will be prepared by the review team and submitted for moderation. The purpose of the moderation will be to ensure that the review approaches are consistent, that assessments are evidence based, even handed and fair. A suggested methodology for moderation is included at Appendix 5.

Upon completion, a summary report will be issued, as draft, to the Authority under review. A suggested format for the report, with example content, is included at Appendix 6. This stage in the process allows that Authority to correct any factual inaccuracies and, with appropriate evidence, to challenge any of the key findings. Final reports will be issued to the Head of Internal Audit following Peer Review sub-Group's consideration of revisions and/or challenge.

It is for the Head of Internal Audit from the Authority under review to determine the most appropriate means of communicating the results of the review to their officers and Members. They can consider inviting a member(s) of the review team to present the findings at an appropriate meeting.

Benchmarking

One of the key benefits of undertaking external validation in this way is that each participating Authority can be part of and share benchmarking data. This will highlight risks, identify best practice and enable each authority to learn from constituent North West colleagues.

Assumed consent to participate in the sharing and benchmarking of summary reports, key findings and scores, across the NWCAE Group, is taken with each Authority's agreement to participate in this peer review process. Authorities will have the option to 'opt out' of benchmarking activity, however this must be made explicitly clear at the signing of this MoU.

Communication of an authority's individual scores and report wider than the NWCAE Group is at the sole discretion of that Authority's Head of Internal Audit.

On-Going Review

This MoU, under the ownership of the NWCAE Group, will be subject to regular review and as a result may be subject to change. The impact of any changes will be considered as part of the moderation process.

Appendix 1

Participating Authorities

Blackburn with Darwen BC

Blackpool BC

Bolton BC

Bury MBC

Cheshire East BC

Cheshire West & Chester BC

Halton BC

Knowsley MBC

Merseytravel

Rochdale MBC

Salford City Council

Sefton MBC

St Helens MBC

Stockport MBC

Tameside MBC

Warrington BC

Wigan MBC

Wirral MBC

NWCAE PSIAS PEER REVIEW**Customer Survey – Internal Audit**

For the Chief Executive, s151 Officer, Monitoring Officer, Chair of Audit Committee etc

The Internal Audit service is currently undergoing a peer review in order to meet its requirement under the Public Sector Internal Audit Standards (PSIAS) that an external assessment of the function is carried once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Colleagues from **Name of reviewing councils** will carry out the review and as part of the process are required to evaluate the impact of the internal audit service on the governance, risk and control environment within the Council.

As a key stakeholder, we would like to seek your views on the internal audit service and will appreciate it if you will complete this questionnaire.

COMPLETED BY: _____ **POSITION:** _____

DATE: _____

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
Standing and Reputation of Internal Audit				
The internal audit service has a satisfactory profile across the organisation				
Senior managers understand and fully support the work of internal audit				
Internal audit is valued throughout the organisation				
There are adequate professional skills within the internal audit service to deliver the plan				

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
Impact on Organisational Delivery				
The audit plan covers the organisations key risk areas				
The internal audit service responds quickly to changes within the organisation				
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.				
The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified				
There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service				
Has the internal Audit service had a positive impact on Governance, Risk and Control?				
The internal audit service includes consideration of all risk areas in its work programme				
Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation				
Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control				
The internal audit service asks challenging and incisive questions that stimulate debate and				

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
improvements in key risk areas				
The internal audit service raises significant control issues at an appropriate level in the organisation				
The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives				
Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation				
Internal audit activity promotes appropriate ethics and values within the organisation				

Please use this space to provide any further comments

Thank you for completing this questionnaire.

Please return to **Name and e-mail address for return**

The deadline for response is **XXXXX**.

NWCAE PSIAS PEER REVIEW**Customer Survey – Internal Audit****Questions for members of the Internal Audit team**

The Internal Audit service is currently undergoing a peer review in order to meet its requirement under the Public Sector Internal Audit Standards (PSIAS) that an external assessment of the function is carried once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Colleagues from **Name of reviewing councils** will carry out the review and as part of the process are required to evaluate the impact of the internal audit service on the governance, risk and control environment within the Council.

As a member of the Internal Audit team, we would like to seek your views on the internal audit service.

COMPLETED BY: _____ **POSITION:** _____

DATE: _____

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
Standing and Reputation of Internal Audit				
The internal audit service has a satisfactory profile across the organisation				
Senior managers understand and fully support the work of internal audit				
Internal audit is valued throughout the organisation				
There are adequate professional skills within the internal audit service to deliver the plan				
The independence of Internal Audit is maintained				

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
Impact on Organisational Delivery				
The audit plan covers the organisations key risk areas				
The internal audit service responds quickly to changes within the organisation				
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.				
The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified				
Reports and assurance opinions are received positively by auditees and the Audit Committee				
Has the internal Audit service had a positive impact on Governance, Risk and Control?				
The internal audit service includes consideration of all risk areas in its work programme				
Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation				
Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control				
The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas				

	AGREE	PARTIALLY AGREE	DO NOT AGREE	NOT APPLICABLE/ DON'T KNOW
The internal audit service raises significant control issues at an appropriate level in the organisation				
The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives				
Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation				
Internal audit activity promotes appropriate ethics and values within the organisation				

Please use this space to provide any further comments

Local Authority to Review _____

Review Team _____

Support _____

Date of Review and Venue _____

Checklist For Completion of Review

Task	Comments
Preparation for the Review	
1. Allow at least 4 weeks lead in time for the on-site review. In this time, request that the host Authority co-ordinate meetings with senior officers (CE / S151 / Monitoring Officer/ Audit Committee Chair). Choose 1-2 members of the IA team to interview. Allow a minimum of 30 minutes for each interview.	
2. Obtain as much evidence as possible prior to the site visit, including a copy of the PSIAS self-assessment. This will facilitate a sense check and help to inform an initial view.	
3. Be clear on what evidence you require and ensure that this is all made available before or at the beginning of your review. This will help to eliminate any unnecessary delays waiting for evidence previously requested. Key documents include: PSIAS self-assessment document Audit Charter Audit Strategy and/or Audit Plan Annual Report QAIP	
4. Review any completed questionnaires as these are a valuable feedback mechanism.	
5. Ensure all requested interviews have been confirmed along with venues and times.	
6. Co-ordinate the timing of meetings effectively to avoid any potential overlap.	
7. Agree, beforehand with the host Authority, that a location will be made available for you to base yourself for the duration of the review. Ideally in a separate room to facilitate discussion but close enough to the host audit team for any queries.	
8. Ensure, in advance, that the location has adequate wi-fi, if this is required. Obtain relevant passwords once on site.	

Task	Comments
9. Ensure you are clear beforehand which key areas of the assessment you will be focusing your resources on (eg, performance standards). Links into points 2 and 3 above.	
On Site Review	
10. Initial meeting with the Head of IA to set out the approach to the review and obtain observations on the self-assessment and the work of the team.	
11. Agree key areas from the PSIAS self-assessment that will be covered – see suggested template. Complete the PSIAS self-assessment spreadsheet as you go along and confirm the evidence used to develop your conclusion on each area of the PSIAS checked.	
12. Conduct interviews (both assessors working together) – see interview templates.	
13. Ensure that the notes of interviews are written up in a timely manner to ensure accuracy.	
14. Agree audit files and reports to review. Review can be split between the 2 assessors as it may be necessary to work with a member of the IA team to gain access to the audit system and ask questions.	
15. Use collective judgement to form a view on whether the service is compliant, partial compliant or non-compliant.	
16. Allow time at the end of the assessment to discuss initial findings with your fellow assessor.	
17. Provide initial feedback to the HoIA / host Authority but caution that the assessment must still be moderated.	
Post Review	
18. Aim to complete the draft report as soon as possible after the assessment (see template report). Share any improvement actions in draft with the HoIA.	
19. Send draft report to the Moderator team along with all evidence used to support your conclusions, as soon as possible. Specify a deadline for the return of the draft report.	
20. Finalise report and Action Plan and forward to HoIA at Host Authority.	

Moderation Process

The PSIAS lead group has emphasised the need for external peer reviews to be based on the consistent application of the methodology it has developed. To this end, it has put in place a systematic moderation review mechanism.

The PSIAS outcome for each Local Authority will be subject to a quality assurance internal review involving the peer review team and the internal audit team under review. There will then be a moderation meeting between the PSIAS peer review team for the individual Local Authority peer review and the regional PSIAS review team. This process is designed to ensure consistency between the individual peer review teams across the region.

The regional PSIAS review team will comprise at least two senior Internal Audit members who have had experience of completing peer reviews. In the early stages of the process being rolled out across all Authorities, this team will comprise members of the Peer Review Sub-Group who will identify a team to moderate the outcomes of each review. As more members gain experience of performing reviews, involvement in this process will be extended to the wider group under the guidance of the Sub-Group.

Throughout the process these Quality Control Moderation (QCM) meetings will take place on a regular basis. The regional team will discuss previous peer reviews and other ongoing peer reviews in the region, together with any feedback it receives from other regions carrying out PSIAS peer reviews.

XXXXXX COUNCIL

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE UK PUBLIC
SECTOR INTERNAL AUDIT STANDARDS**

CARRIED OUT BY

XXX

XXX

REPORT DATE:

XXXX Council
Peer Review of Internal Audit against the UK Public Sector Internal Audit Standards

1 Introduction

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The North West Chief Audit Executives' Group (NWCAE) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of XX Council.
- 1.5 An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. This review has been carried out by the Heads of Internal Audit at xxxxxxx. Details of the reviewers' relevant experience and qualifications are included at Appendix 1.

2 Approach/Methodology

- 2.1 The NWCAE Group has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
 - The peer review is undertaken in three stages: pre-review; on-site review; post-review. And covers audit activity during the period covered in the latest Head of Internal Audit Annual Report & Opinion. For example, reviews commencing after 1 July 2016 will cover the audit year 1 April 2015 to 31 March 2016.

- Each authority is required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/ documentation in advance of on-site review commencement. The NWCAE Group has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan & Charter, The Head of Internal Audit Annual Report & Opinion, Quality Assurance & Improvement Programme and examples of final audit reports.
- To support the on-site review, stakeholder questionnaires and interviews are also undertaken.
- The review itself comprises a combination of ‘desktop’ and ‘actual on-site’ review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the ‘desktop’ period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Each authority will be assessed against the three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution; together with a view on the Impact that the Internal Audit service has within the organisation.
- Upon conclusion, the Review team offers a ‘true and fair’ judgement and it is proposed that each Authority will be appraised as **Conforms, Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the three themed scores gives an overall Authority score.

3 Summary Findings

3.1 Following a detailed moderation process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	
Structure & Resources	
Audit Execution	
Overall Judgement	Conforms/Partially Conforms/Does Not Conform

- 3.2 Assessment against the individual elements of each area of focus is included in the table at Appendix 2 and a summary of the areas for consideration to improve/develop the service is identified within the action table at Appendix 3.
- 3.3 Additional points for consideration identified during the review that are out of scope of the Standards/ LAGN requirements but are contributory to the overall effectiveness and efficiency of the Internal Audit service are presented in the table at Appendix 4 of the report for information and consideration only. *This will include issues associated with the Impact theme referenced in paragraph 2.1 of this report proforma and the Customer Surveys included as Appendices 3 and 4 of the MoU.*

4 Observations and Recommendations

- 4.1 Significant Observations (i.e leading to a 'does not conform' judgement)

Insert narrative against one or more of the 'Areas of Focus' as appropriate

- 4.2 Minor Observations (i.e areas for improvement/development, minor elements of non-conformance, gaps in 'good practice' statement)

Insert narrative against one or more of the 'Areas of Focus' as appropriate

Appendix 1

Review Team

Insert 'pen pictures' for the members of the review team

Detailed Assessment

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
	Purpose & positioning				
1000	• Remit		X		See 4.X above
1000	• Reporting lines	X			
1110	• Independence	X			
2010	• Risk based plan	X			
2050	• Other assurance providers		X		See 4.X above
	Structure & resources				
1210	• Competencies	X			
1230	• Technical training & development	X			
2030	• Resourcing		X		See 4.X above
1230	• Performance management	X			
1230	• Knowledge management	X			
	Audit execution				
1300	• Quality Assurance & Improvement Programme	X			
2000	• Management of the IA function	X			
2200	• Engagement planning	X			
2300	• Engagement delivery	X			
2400	• Reporting	X			
2450	• Overall opinion	X			

Conforms	X	Partially Conforms		Does Not Conform	
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XXXX Council Internal Audit Service – PSIAS Action Table

The following points for consideration to develop the Internal Audit Function arise from the review undertaken:

PSIAS Ref	Rec No.	Points for Consideration	Responsible	Action
1000	1			
1210	2			
1230	3			

XXXX Council Internal Audit Service – Additional Development Action Table

During the review the following additional points for consideration were discussed with the Chief Internal Auditor. Whilst these specific points are out of scope of the Standards / LGAN requirements, they are nonetheless contributory to the overall effectiveness and efficiency of the Internal Audit service and are presented in this report for information and consideration only:

PSIAS Ref	Rec No.	Points for Consideration	Responsible	Action
Various esp. 2040; 2200	Additional Comment			

This will include issues associated with the Impact theme referenced in paragraph 2.1 of this report proforma and the Customer Surveys included as Appendices 3 and 4 of the MoU.

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 28th September 2017
Report of: Corporate Manager Governance and Audit
Title: Work Plan 2017/18
Portfolio Holder: N/A

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

- 7.1 When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

8.0 Legal Implications

- 8.1 The Work Plan for 2017/18 takes account of the requirements of the Accounts and Audit (England) 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 Auditors

Tel No: 01270 686567/01270 685860

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

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Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
29th September 2017			
External Audit Findings Report 2016/17	Summary of findings from the 2016/17 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
		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.
		31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
2016/17 Audit Findings and Action Plan	This report sets out the management response to the 2016/17 Audit Findings Report presented by the external auditors 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.
Statement of Accounts 2016/17 Audited	Approval of the Audited Statement of Accounts for 2016/17.	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.
Treasury Management Annual Report	This report will update the Committee on Treasury Management Activity.	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Update on Air Quality Data Internal Audit Report	This report will update the Committee on the Management Actions agreed in response to the Internal Audit review of Air Quality Data reporting.	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.
		25	To consider summaries of specific internal audit reports as requested.
Annual Governance Statement 2016/17	Approval of the Annual Governance Statement 2016/17.	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.
Annual Report of the Audit and Governance Committee 2016/17	Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council.	40	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.
Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2016/17	Summary of formal feedback received from customers during 2016/17 together with a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for 2016/17.	42	To seek assurance that customer complaint arrangements are robust.
Members Code of Conduct: Standards	The report gives details of the numbers and outcomes of complaints under the Code of	5	To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Report	Conduct for Members for the period since the last update.		Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
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 2016/17.	41	To approve and monitor Council policies relating to "whistleblowing" and anti fraud and corruption.
External Assessment of Internal Audit	Report to the Audit and Governance Committee on the required external assessment of the Council's Internal Audit provision and its conformance with the Public Sector Internal Audit Standards.	4 27	It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. 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.
Work Plan	Forward looking programme of meetings and agenda items 2017/18 to ensure comprehensive coverage of the Committee's responsibilities.	All	
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.	38	To receive retrospectively for information all notices of waiver which are used when consent is sought to depart from the requirements of the Council's Contract Procedure Rules, and all notices which are used to record any non-adherence to those Rules.
7th December 2017			
Grant Thornton -	Summary of the External Audit findings from	31	To consider the external auditor's annual letter,

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Annual Audit Letter 2016/17	2016/17 audit. The letter will also confirm the final audit fee.		relevant reports, and the report to those charged with governance.
Certification Report	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2016/17 claims and returns.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Draft Treasury Management Strategy and MRP Statement	Update on the contents of the Council's Treasury Management Strategy for 2017/18 The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.	17	To review and monitor the Council's Treasury Management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council.	10	To monitor the effective development and operation of risk management in the council.
		11	To monitor progress in addressing risk related issues reported to the committee.
Annual Governance Statement (AGS) Update	Assurance Framework that underpins the Council's AGS & update on actions to improve governance arrangements and respond to emerging issues.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Internal Audit Interim Report 2017/18 and Internal Audit Charter	Progress report against the Internal Audit Plan 2015/16. Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standards.	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.

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
		18	To approve the Internal Audit Charter.
		21	To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
		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.
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee.		As requested by Members at December 2015 meeting

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	Approved WARNs will also be presented as a Part 2 item.		
Work Plan.	Forward looking programme of meetings and agenda items 2017/18 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 Council's procurement arrangements	<p>Following agreement with TITAN, an audit has commenced during March 2017. The purpose of the audit is to provide assurance that arrangements currently in place to manage procurement activity are appropriate and effective.</p> <p>The outcome of this work will be reported to a future meeting of the Audit and Governance Committee.</p>	12	<p>To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.</p> <p>At the request of Members, 8th December 2016 Audit and Governance Committee.</p>
Upheld Complaints to the Local Government Ombudsmen	<p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager,</p>	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
		42	To seek assurance that customer complaint arrangements are robust.

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	<p>Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. 	43	<p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</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. 	44	<p>The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee.</p>

Work Plan 2017/18

		Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	<ul style="list-style-type: none"> ensure that the Committee continues to work effectively and fulfils its purpose. 		
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 request of the Committee, require specific reports.	44	The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee.