

CHESHIRE EAST COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 25 January 2011
Report of: Head of Internal Audit & Compliance
Subject/Title: Work Programme

1.0 Report Summary

1.0 To present an updated Work Plan to the Committee for consideration.

2.0 Recommendation

2.1 That the Committee:

- consider the Work Plan and determine any required amendments
- note the changes made to the plan since it was last discussed in November 2010
- note that the plan will be periodically brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

3.1 The Audit and Governance Committee has a key role in overseeing and assessing the risk management, control and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to ensure that the Committee fulfils its responsibilities.

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 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. No specific financial implications.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 No specific legal implications.

9.0 Risk Management

- 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 A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities has been attached at Appendix A of this report. The Committee is asked to consider the contents of the Work Plan and establish any additional agenda items/training/briefing sessions that will enable it to meet its responsibilities. In doing so it should be noted that the following changes have been made to the programme that was discussed in November 2010:

- The audit of the financial statements is governed by International Standards on Auditing (ISAs). These standards prescribe the basic principles and essential procedures which govern the conduct of the external auditor. As with all guidance and frameworks, auditing standards are revised and updated. Consequently, a new clarified framework applies to the audit of the 2010/11 financial statements

and a paper has been included on the January Agenda to highlight the main changes and the impact they will have.

- The grants report to those charged with Governance has been deferred until March to align agenda items with the Audit Commission's external reporting requirements.
- Revisions to the Risk Management & Business Continuity Strategy have been delayed because the focus for the quarter has been on developing a comprehensive Corporate Risk Register and integrating and aligning risk management into the Council's business planning process. Business Continuity forms part of the Risk Management Strategy and so will be integral to the Strategy update which is anticipated for the March Committee.
- Following a report to the November Committee summarising performance during the first and second quarters against the defined Corporate Compliments, Suggestions and Complaints Policy and Procedure the Committee requested an update on the systems in operation. A presentation addressing the new policy (April 2010), role of the Customer Relations Team, Q1 – Q3 performance summary, LGO relationship, new system overview and expected benefits from the new system has been included in the January 2011 Work Plan.
- Following the review of the Anti Fraud and Corruption Strategy, the results of which are reported to this meeting of the Committee, it has been determined that a wider review of the overarching anti fraud culture within Cheshire East Council should be carried out. This will assess the effectiveness of the arrangements in place to address the 5 key areas identified within the CIPFA publication 'Managing the Risk of Fraud Actions to Counter Fraud and Corruption'. The findings of the review will be reported to the March Committee
- A revised Whistleblowing Policy has been developed in line with the report presented to the November 2010 meeting. This document is currently undergoing a consultation process prior to being brought back to Committee in March 2011 before formal approval and adoption.

10.2 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.

- A final draft of the Anti Fraud and Corruption Strategy will be presented to the Committee taking into account the findings of the review of the existing policy as presented to this Committee, comments from members and the outcome of consultation with the unions

- The terms of reference for Internal Audit will be amended and put to the Committee for approval following publication of CIPFA's '*The Role of the Head of Internal Audit in Local Government*'
- A revised Internal Audit Strategy will be put to the Committee for approval, but not direction, following publication of CIPFA's '*The Role of the Head of Internal Audit in Local Government*'

11.0 Access to Information

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

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<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<u>17 November 2010</u>	
Final Account Memorandum	Members received the Final Accounts Memorandum which provided the Council with the detailed messages from the audit of the 2009/10 main financial statements. Members requested subsequent reports that provide assurance that issues have been, or are being addressed.
Code of Corporate Governance	The Committee approved the revised Code of Corporate Governance and noted that this is to be used as a basis for self-assessment, continuous improvement and as a contributor to producing the Annual Governance Statement.
Annual Governance Statement 2010/11	The Accounts and Audit Regulations (2003 as amended) require the production of an Annual Governance Statement (AGS). The process for producing the AGS was agreed with Members.
Risk Management update report	Members received an update on the risk management framework and the key corporate risks prior to onward submissions to Cabinet in December 2010.
Internal Audit Terms of Reference	The Committee was advised of the content of the Terms of Reference and noted that they would be amended following publication of CIPFA's <i>The Role of the Head of Internal Audit in Public Service Organisations</i> .
Internal Audit Strategy	The Committee was advised of the content of the Internal Audit Strategy and noted that they would be amended following publication of CIPFA's <i>The Role of the Head of Internal Audit in Public Service Organisations</i> .
Whistleblowing Protocol	Members considered and endorsed, in principle, the proposed changes to the Council's Whistleblowing Protocol and noted that final approval will be for full Council following reference to and recommendation from the Constitution Committee.
Customer Complaints	The Committee received a summary of performance during the first and second quarters against the defined Corporate Compliments, Suggestions and Complaints Policy and Procedure.
Work Plan	The Committee noted the changes to the programme

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	<p>of meetings and agenda items.</p> <p><i>A training session on risk management was completed at the end of the meeting</i></p>
<u>25 January 2011</u>	
Annual Audit Letter	<p>The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public, the key issues arising from the external auditors' work, which they consider should be brought to the attention of the Council. The annual audit letter covers the work carried out since the previous annual audit letter was issued.</p>
Opinion Plan	<p>The Plan identifies the work that is planned by the External Auditor to give an opinion on the Council's Financial Statements for the financial year 2010/11.</p>
2010/11 Opinion Audit – Changes You Can Expect to See	<p>The audit of the financial statements is governed by International Standards on Auditing (ISAs). These standards prescribe the basic principles and essential procedures, with the related guidance, which govern the conduct of the external auditor.</p> <p>As with all guidance and frameworks, auditing standards are revised and updated. The new clarified framework applies to the audit of the 2010/11 financial statements. The purpose of this document is to highlight the main changes and the impact they will have.</p>
Update on IFRS	<p>The Committee will be asked to note the progress made on the IFRS Action Plan.</p>
Compliance with International Auditing Standards	<p>In order to comply with a number of International Standards on Auditing, external audit are required to obtain the Audit Committee's understanding of the following:</p> <p>1) Management processes in relation to:</p> <ul style="list-style-type: none"> • undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud • identifying and responding to risks of fraud in the organisation

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	<ul style="list-style-type: none"> • communication to employees of views on business practice and ethical behavior • communication to those charged with governance the processes for identifying and responding to fraud <p>2) How the Committee oversees management processes to identify and respond to the risk of fraud and possible breaches of internal control</p> <p>3) How the Committee is made aware of actual, suspected or alleged frauds</p> <p>4) How it gains assurance that all relevant laws and regulations have been complied with.</p>
Risk Management update report	The Risk Management function will report on whether best practice is being followed in the management of risk and how new risks are identified and existing risks are changing.
Freedom of Information and Data Protection	The Freedom of Information and Data Protection Acts are seen as essential elements of the regulatory framework within which the Authority works. This report will provide Members with an update with regard to FOI and DP issues.
Customer Complaints	A presentation on the new policy (April 2010), role of the Customer Relations Team, Q1 – Q3 performance summary, 'you said, we did', LGO relationship, new system overview and expected benefits from new system.
Internal Audit Update	The purpose of this report is to facilitate compliance with the requirements of the Code of Practice for Internal Audit and, consequently, it provides Members with emerging issues in respect of the whole range of areas to be covered in the formal annual report. It enables the Committee to monitor Internal Audit's performance.
AGS Action Plan	The Committee will be asked to note the progress made in implementing the Annual Governance Statement (AGS) action plan for 2009/10. Failure to consider and monitor the AGS action plan could result in agreed improvements to the governance arrangements not being implemented.

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Counter Fraud Corruption	The outcomes of a review of the Anti Fraud and Corruption Policy against best practice guidance, as stated in CIPFA's ' <i>Managing the Risk of Fraud – Red Book 2</i> ', is presented for consideration and comment prior to the production of an updated strategy document.
Work Plan	<p>A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.</p> <p><i>A training session on performance management is scheduled for this meeting</i></p>
<u>29 March 2011</u>	
Grants Report to those charged with Governance	External Auditors are required to report annually on the issues, amendments and qualifications arising from certification work of grant claims and returns. This report is important because it gives feedback on how effectively the Authority is managing the grants and subsidies it receives and administers.
Internal Audit Plan for 2011/12	The Head of Internal Audit must prepare a risk-based audit plan designed to implement the audit strategy that is fixed for a period of no longer than one year. The Committee is responsible for approving (but not directing) the plan.
Regulation of Investigatory Powers Act (RIPA)	<p>The RIPA annual report that is submitted to the Committee includes:</p> <ul style="list-style-type: none"> • details of the overall number and type of authorisations granted • the outcome of the case, where known • a breakdown of the same information by service or groups of services, as appropriate • the results of the most recent inspection carried out by a representative of the Office of Surveillance Commissioners, where applicable (inspections may not take place annually).
Risk Management Strategy & Business	In considering the effectiveness of the Authority's risk management arrangements the Committee must be

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Continuity Strategy	aware of the Risk Management Strategy and any proposed changes to it.
Business Continuity Update	The Committee will be made aware of how the authority manages its own contingency and business recovery plans
Risk Management update	The Risk Management function will report on whether best practice is being followed in the management of risk and how new risks are identified and existing risks are changing.
AGS update	The Committee will be asked to note the progress made in implementing the Annual Governance Statement (AGS) action plan for 2009/10. Failure to consider and monitor the AGS action plan could result in agreed improvements to the governance arrangements not being implemented.
Governance	The Council's management is responsible for the governance arrangements (including the system of internal control). Periodically, management should assure the audit committee that the arrangements prescribed by the Code of Corporate Governance and described within the AGS are operating effectively. The Committee must be informed of any major changes made to the arrangements.
Anti Fraud & Corruption	The results of a review of the Council's anti fraud arrangements against those prescribed in the CIPFA publication 'Managing the Risk of Fraud Actions to Counter Fraud and Corruption' will be reported to the Committee.
Whistleblowing	The revised Whistleblowing Policy will be brought back to the Committee before formal approval and adoption.
Work Plan	A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
<u>Unallocated</u>	
Insurance	The Committee is responsible for, overseeing and agreeing the arrangements for Members to be indemnified for and insured against risks and liabilities arising from the performance of their duties as Members of the Council, and as the Council's

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Anti-Money Laundering	<p>representatives on outside bodies.</p> <p>The Council is required to have procedures in place for the detection and disclosure of incidents of suspected money laundering and terrorism financing. This Policy aims to establish prudent and responsible anti-money laundering controls and reporting arrangements designed to detect and avoid involvement in the offences described in Regulations The Policy is considered by the Committee before approval by Cabinet. Hence it needs to be made aware of and endorse any changes to the Policy.</p> <p>Periodically Management could assure the Committee that the measures prescribed by the Policy are operating effectively.</p>
Treasury Management	<p>CIPFA's Code of Practice requires that members are tasked with treasury management responsibilities, including scrutiny of the treasury management function. The Committee will receive appropriate training so that members fully understand their roles and responsibilities.</p>