

# CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 10th December, 2015 in Committee Suite 1,2 & 3,  
Westfields, Middlewich Road, Sandbach CW11 1HZ

## **PRESENT**

Councillor D Marren (Vice-Chairman)

Councillors C Andrew, G Baxendale, S Corcoran, R Fletcher, A Kolker, M Simon,  
A Stott and S Edgar.

## **Councillors in attendance:**

Councillors L Durham, P Groves and A Moran and J Saunders.

## **Officers in attendance:**

Peter Bates – Chief Operating Officer

Anita Bradley – Head of Legal Services and Monitoring Officer

Andrew North – Corporate Manager Governance and Audit

Mike Suarez – Chief Executive

Alex Thompson – Manager Strategy and Reporting

Jo Wilcox – Corporate Finance Manager

Cherry Foreman – Democratic Services Officer

## **External Auditors (Grant Thornton)**

Alison Rhodes and Jon Roberts.

## **29 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors M Hardy and L Smetham.

## **30 DECLARATIONS OF INTEREST**

Councillors D Marren and A Kolker declared personal interests by virtue of being the Chair of Orbitas Bereavement Services Ltd, and a member of the Board of Civicance, respectively.

## **31 PUBLIC SPEAKING TIME/OPEN SESSION**

No members of the public wished to speak.

## **32 MINUTES OF PREVIOUS MEETING**

Consideration was given to the minutes of the meeting held on 24 September 2015. Jon Roberts and Alison Rhodes, External Auditors, were added to the list of those present at the meeting. With reference to minute 27 (Committee Work Programme) it was requested that 'Cardiff Checks' be added to the Committee Work Programme as had been discussed; this was agreed.

## **RESOLVED**

That, subject to the inclusion of the above additions, the minutes of the meeting held on 24 September 2015 be approved as a correct record.

### **33 EXTERNAL AUDIT ANNUAL LETTER 2014/15**

Consideration was given to the Annual Audit Letter which summarised the External Auditor's findings from the 2014/15 audit. The letter was intended to communicate key messages to the Council and external stakeholders including members of the public. Jon Roberts, of Grant Thornton, reported that an unqualified opinion on the accounts had been issued confirming that the financial statements gave a true and fair picture of the Council's financial position and of the income and expenditure recorded by the Council. The certificate of completion of the audit had been issued on 21 October.

The Value for Money Conclusion was also unqualified. The Council therefore, in the opinion of the Auditor, having proper arrangements in place to secure economy, efficiency and effectiveness. The External Auditors were asked for their view on the award of contract process in the case of Core Fit. Clarification was also requested concerning an upfront payment of £30,000 agreed in respect of that contract which had not been listed on the Council's website.

The Auditor advised that amounts in relation to the specific contract were not significant enough to have an impact on the 2014/15 accounts. With regard to the upfront payment the External Auditors had worked with Internal Audit and would be expecting this to be properly reported. Payment of £2,000 had been made to Grant Thornton to look at specific matters raised by the Council, and details were requested of the work that had entailed.

The Chief Executive addressed the meeting and reported that he had commissioned Internal Audit to carry out a review of procurement arrangements. A report would be prepared for consideration at the next meeting of the Committee along with the comments of the External Auditor. Key issues had been discussed with Internal Audit during the course of its work and to date there was no evidence of wrongdoing that an outside agency would have an interest in investigating. An informed decision would be made as to whether any action was required and if Contract Procedure Rules had been breached then an investigation in accordance with the appropriate policy would be commissioned. The External Auditor had confirmed he was comfortable with this approach and was maintaining a watching brief.

A discussion ensued in respect of the use of waivers which are a facility to exempt contracts from normal competition in certain circumstances as part of the Council's Contract Procedure Rules.

*At this stage, and for reasons of openness, the Monitoring Officer declared she is involved in the signing some waiver forms; Members needed to bear in mind the work coming forward would put this in perspective with the normal procedure process. She was responding in her capacity as the Monitoring Officer and this was in respect of her involvement with WARNS as a general principle.*

The Committee was supportive of the approach that had been outlined by the Chief Executive but also expressed concern at the reputation of the Council being undermined. The Chief Executive assured Members he would want to make sure the reputation of the Council was maintained and also that, as part of the review, he had asked for other WARNs that had been issued to be compared and contrasted so everybody could learn from them.

**RESOLVED**

That the report, and discussions, be noted.

**34 EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS  
2014/15**

Consideration was given to a summary of the key findings identified during the External Auditors certification process for the 2014/15 housing benefit subsidy claim which, it was reported, took place six to nine months after the claim period.

In addition, the Council was required to obtain a reasonable assurance report on their annual Teachers Pension return; Grant Thornton had provided an unqualified report.

**RESOLVED**

That the Certification Letter be received and noted.

**35 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2014/15**

Consideration was given to the draft report of the Chairman of the Committee on its performance and effectiveness in 2014/15 with regard to its terms of reference and purpose.

The report included details of governance and risk management, internal control frameworks, financial reporting arrangements and internal and external functions. In considering its effectiveness the report listed the additional areas of work that had been requested by the Committee around emerging issues, these being the Better Care Fund, Payments to Directors of Council Owned Companies, Compliance with Contract Rules of Procedure, Disclosure of Officer Remuneration in the Statement of Accounts, ASDV Governance and Stewardship and Managing Complaints received by the Local Ombudsman. Members requested that in the future this section of the report be expanded to provide greater detail and also an assessment of the outcome and effectiveness of the work.

In discussing the outcomes of this work it was noted that the work on contract procedure rules had included the subject of waivers and it was requested that from now on, and in order to provide greater scrutiny of their use, the Audit and Governance Committee receive a regular report on the occasions of their use; this to include every waiver approved from that date on. It was noted this would not hold up procurement activity as the notices were for comment/noting not for approval. Some of the content of the forms might need to be redacted or moved to the closed agenda.

Training and development was also highlighted, and the work and involvement of the member officer groups for audit, financial statements, fraud management, governance and risk management; these enabled individual members to become more involved in specific areas of audit and governance work and to develop an in depth knowledge and expertise in those areas.

#### **RESOLVED**

1. That the draft Annual Report for 2014/15 be approved for consideration by the Council at its meeting on 17 December.
2. That future annual reports be expanded to include greater detail on any areas of additional work requested by the Committee to provide it with additional assurance, and that it also include analyses of its effectiveness.
3. That the Committee receive a regular report on the use of waivers in contract procurement and copies of the actual approved WARNs for appropriate review.

#### **36 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2016/17**

Consideration was given to the report of the Chief Operating Officer which updated Members on the Council's Treasury Management Strategy for 2016/17. The report detailed the key elements of the Strategy and reported that the capital programme for 2016/19 was currently being updated with new proposals for capital investment as a result of which the prudential indicators in the draft Treasury Management Strategy (App A) would be subject to change; the final capital programme would be reported to Cabinet and then to Council for approval on 25 February 2016.

In response to a request the Chief Operating Officer agreed to include comparisons in the indicator sets used in Annex C (Prudential Indicators) for which, the Committee was advised, a useful set of information was being prepared for the budget Council meeting.

#### **RESOLVED**

That the proposed Treasury Management Strategy and Minimum Revenue Provision Statement for 2016/17, set out in appendix A of the report, be received and noted.

#### **37 DRAFT RISK MANAGEMENT POLICY STATEMENT / STRATEGY AND OUTLINE FRAMEWORK.**

The Committee has responsibility for monitoring the effectiveness of the Council's risk management arrangements and, to support it in this role, a new draft Risk Management Policy Statement and Strategy had been produced following a comprehensive review; an outline of the risk management framework that underpinned this was included as an appendix to the report.

It was reported that the Corporate Assurance Group and the Risk Management Sub-Group, which included Officer and Portfolio Holder representation, had been

involved in developing these documents. Their implementation would include promotion and explanation at staff meetings and on the Council's intranet system.

## **RESOLVED**

1. That the new Risk Management Policy Statement and Strategy, set out in Appendix A of the report, be recommended to Cabinet for approval.
2. That the Outline Framework in appendix B be noted.

## **38 ANNUAL GOVERNANCE STATEMENT UPDATE**

Consideration was given to the report of the Corporate Assurance Group the purpose of which was to provide assurance that the Annual Governance Statement was underpinned by an appropriate framework of assurance, and to allow the Committee to monitor the implementation of actions to improve governance arrangements and respond to emerging issues. The report also detailed a number of ongoing developments in governance and audit arrangements.

In response to discussion on the items which were considered to have been completed, or required further monitoring, it was agreed that:

- Business Continuity Planning (Principle 1) remain on the list for a further year to allow action plans to become embedded.
- Health and Social Care Integration (Principle 2) remain on the list for a further year as whilst assurance had been received some considered its removal to be premature.

It was also suggested that the Corporate Assurance Group, currently attended by the Portfolio Holders for Risk and Governance, be extended to include non executive members; this was agreed.

## **RESOLVED**

1. That the progress against the issues reported in the 2014/15 Annual Governance Statement, including the feedback from the Corporate Assurance Group on each item, be noted.
2. That the production of the 2015/16 Annual Governance Statement be endorsed subject to the retention of Business Continuity Planning and Health and Social Care Integration.
3. That the changes to governance, risk management and audit arrangements be noted.
4. That membership of the Corporate Assurance Group be extended to include non-executive members.

### **39 INTERNAL AUDIT INTERIM REPORT 2015/16 AND INTERNAL AUDIT CHARTER**

*(During consideration of this item Councillor R Fletcher declared a personal interest in respect of Leisure Centre contracts by virtue of being a governor at Alsager School)*

Consideration was given to the report of the Corporate Manager Governance and Audit on progress against the Internal Audit Plan 2015/16, revisions to it and a summary of the work carried out during the first half of this year. In addition it was requested that approval be given to an updated Audit Charter.

During discussion, and in respect of the ongoing procurement audit, it was reiterated that the outcome of that work would come to the Committee. In considering the Internal Audit Charter the Committee was advised that it followed national best practice and that Internal Audit was authorised 'full, free and unrestricted access to any and all of Cheshire East Council's records, physical properties, and personnel pertinent to carrying out any engagement' and that no problems had been encountered in this regard.

#### **RESOLVED**

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

### **40 AUDIT AND GOVERNANCE COMMITTEE SELF- ASSESSMENT**

The Committee considered the report of the Chairman on progress in implementing the actions arising from the 2014/15 self assessment of the Audit and Governance Committee, reported in March 2015. The evaluation was made against progress made in implementing the agreed actions and whether there was scope to do more. The issues that had been raised were shown with the proposed action and progress to date.

#### **RESOLVED**

1. That progress in relation to the implementation of actions to improve the Committee's effectiveness be noted.
2. That the self-assessment of the Audit and Governance Committee against good practice, and the evaluation of its effectiveness for 2015/16, be brought to the March 2016 meeting.

### **41 WORK PLAN 2015/16**

The Committee considered its Work Plan for the forthcoming months. Members were informed that the unallocated items on the Plan would be scheduled for the meeting in June. Taking into account decisions made during the course of this meeting it was agreed that the following items be added:

- Amendments to the audit charter

- The addition of Cardiff Checks (on the work programme for the Fraud Working Group)
- WARNs to come to the Committee for review
- Report on procurement to the meeting in March, or to an earlier meeting if that was warranted.

**RESOLVED**

That the Work Plan and the above additions be approved.

The meeting commenced at 2.05 pm and concluded at 4.15 pm