

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 29 September, 2016 at Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor L Smetham (Chairman)
Councillor D Marren (Vice-Chairman)

Councillors G Baxendale, S Corcoran, R Fletcher, L Gilbert, M Hardy,
A Kolker, M Simon and A Stott

MEMBERS IN ATTENDANCE

Councillors C Andrew, J Clowes, J P Findlow, H Gaddum, P Groves, L Jeuda
and A Moran

OFFICERS IN ATTENDANCE

P Bates	Chief Finance Officer
B Norman	Director of Legal Services
J Griffiths	Principal Auditor
M Todd	Principal Auditor
S Smith	Customer Relations and Compliance Manager
H Sweeney	Senior Customer Relations and Compliance Officer
A Thompson	Corporate Manager Strategy & Reporting
J Wilcox	Corporate Finance Manager
D Oakeshott	Head of Professional and Commercial Services
J Ellison-Jones	Procurement Category Manager
S Mellor	Procurement Category Manager
D Moulson	Democratic Services Officer

External Auditors in Attendance (Grant Thornton)

A Rhodes and J Roberts

20 APOLOGIES FOR ABSENCE

No apologies for absence were received.

21 DECLARATIONS OF INTEREST

No declarations of interest were received in respect of the business to be transacted at the meeting.

22 PUBLIC SPEAKING TIME/OPEN SESSION

Councillor H Gaddum attended the meeting and gave notice that she wished to speak to item 5 on the agenda: External Audit Findings Report 2015/2016.

23 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 30 June 2016 be approved subject to the following corrections:

Minute 7 Draft Annual Governance Statement 2015/2016:

Third paragraph, fourth bullet point – the words “and where the Ombudsman finds fault, the Committee to have sight of the report” to be added to the end of the sentence

Minute 16 Item Submitted by a Member

At its meeting held on 30 June 2016, the Committee considered an Item submitted by Councillor Corcoran, pursuant to Procedure Rule 34, to which the Councillor read out a prepared statement. A Member queried why the statement had not been included in the minutes of the meeting, despite the Committee agreeing to do so. As this recollection was not shared by the Committee as a whole, the matter was put to the vote.

RESOLVED: That the text of the statement read out to the meeting by Councillor Corcoran be included with the Minutes of the meeting on 30 June 2016.

24 EXTERNAL AUDIT FINDINGS REPORT 2015/16

Grant Thornton presented the Audit Findings report on the 2015/16 Audit which had been prepared in accordance with the requirements of the International Standard on Auditing (UK and Ireland) 260, the Local Audit and Accountability Act 2014 and the Audit Office Code of Practice.

The report identified the key issues considered by Grant Thornton on the Council's financial statements and its arrangements for securing economy, efficiency, and effectiveness in the use of resources. The Auditors went through the report in detail and reported that an unqualified opinion would be given in respect of both the accounts and value for money.

Particular reference was made to the following: one adjustment had been identified affecting the Group's/Council's financial position, recommendations had been made to improve the presentation of the financial statements, the closedown timetable would be brought forward for 2017/18 and recommendations had been made relating to

strengthening IT controls. The finance department was commended for producing a good quality set of technical accounts.

During Grant Thornton's presentation, Councillor Gaddum addressed the Committee regarding a matter of concern she had raised on a previous occasion. In response to the points raised, Grant Thornton confirmed that it could not formally conclude the audit and issue an audit certificate for the year ended 31 March 2016 until the police investigation had been concluded. However it was comfortable giving the opinion that it had on the value for money statement, based on the information available to it.

A question and answer session then ensued relating to the police investigation and the arrangements for an external internal audit review, which would need to be held.

RESOLVED: That

- a) The Audit Findings Report for 2015/16 be received; and
- b) The letter of representation be signed by the Chief Operating Officer.

25 **2015/16 AUDIT FINDINGS AND ACTION PLAN**

Consideration was given to the Audit findings and action plan for 2015/16.

Grant Thornton provided an unqualified opinion in respect of the financial statements and an unqualified conclusion on the council's arrangements to secure economy, efficiency and effectiveness in the use of its resources for securing value for money.

The appendix to the report set out a number of recommendations in respect of the financial statements, which also set out the Council's proposed actions to address the auditor's recommendations.

Officers and Grant Thornton advised the Committee concerning proposed arrangements for appointing an independent internal auditor in relation to the paused audit of procurement.

RESOLVED:

That the management responses and action plan set out in Appendix 1 be endorsed.

26 **AUDITED STATEMENT OF ACCOUNT 2015/16**

Consideration was given to the 2015/16 Statement of Accounts for Cheshire East Council and the Cheshire East Group, which provided information on the financial assets and transactions of the Group.

The report detailed amendments to the statement of accounts; specifically in relation to changes to the NDR provision for appeals and a number of adjustments to the presentation of the financial statements; which affected earmarked reserves only and not the general fund reserve figures reported to the Committee in June.

RESOLVED:

1. That the report be received and the changes to the draft accounts be noted in accordance with the Audit Findings Report; and
2. That delegated authority be granted to the Chairman of the Audit and Governance Committee to sign off the final accounts on behalf of the Committee.

27 ANNUAL GOVERNANCE STATEMENT 2015/2016

At its meeting on 25 June the Committee had considered the draft Annual Governance Statement (AGS) which had now been amended to take into account feedback received at that meeting and subsequently from Members, Officers and the External Auditors. Once finalised, the ASG would be published on the Council's website along with the Statement of Accounts.

The purpose of the AGS process was to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness of the process and/or address identified weaknesses in order to support the continuous improvement of the authority.

It was reported that no significant governance issues had been identified; members seeking clarity of matters pertaining to business continuity and Health and Wellbeing Board. It was confirmed that the actions identified going forward would be included in next year's statement for continuity.

At the beginning of the meeting, a correction to the minutes was agreed in regard to the Committee receiving a copy of any Ombudsman report where fault had been identified. To ensure consistency it was proposed that the wording in the statement should mirror this requirement.

RESOLVED:

That, subject to the above correction, approval be given to the Annual Governance Statement 2015/16.

28 ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2015/16

Consideration was given to the draft report of the Chairman of the Committee on its performance and effectiveness in 2015/16 with regard to its terms of reference and purpose.

The report included details of governance, risk and control frameworks, internal audit charter, external audit reporting arrangements, 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 additional assurance, these being email retention and archiving policy, Ombudsman complaints and lessons learnt, WARNs (Waiver and Record of Non-adherence), review of Cardiff checks and performance management arrangements.

RESOLVED

That the draft Annual Report for 2015/16 be approved for consideration by the Council at its meeting on 20 October 2016.

29 REPORT ON CUSTOMER FEEDBACK 2015/16

Consideration was given to the report which summarised the formal feedback received from customers during 2015/16, together with a summary of the cases dealt with by the Local Government Ombudsman (LGO).

Details were given of the feedback received, broken down into complements (1855), suggestions (177) and complaints (1565). It was noted that the number of complaints had increased by 38% from the previous year, the majority relating to Adult and Children's services. Whilst not formally recorded on the corporate feedback system, complaints from MP's on behalf of their constituents had reduced significantly (77 to 30) from 2014/15.

With regard to complaints all customers were offered the opportunity to appeal to the Local Government Ombudsman and the report included details on the decision notices issued to the Council.

RESOLVED:

That the report be noted.

30 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT (2000)

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a regulatory framework to enable public authorities to obtain information through the use of certain covert investigatory techniques.

Consideration was given to the report, which outlined the findings of an inspection by the Office of Surveillance Commissioners on 23 May 2016. The Committee welcomed the positive outcome and noted the Inspector's

recommendation with regard to providing training and guidance for staff using the internet and social networking sites which might engage the RIPA criteria.

RESOLVED:

That the report be noted.

31 TREASURY MANAGEMENT ANNUAL REPORT

Consideration was given to the report which had been considered by Cabinet at its meeting on 12 July 2016. It was noted that the Council had complied with its legislative and regulatory requirements and had remained within all of its prudential indicators during the year.

Information was provided on the management of the local authority's investments, cash flows, capital expenditure, external borrowing, banking and property funds; on which members asked questions. It was noted that, due to the risks associated with unsecured deposits, the Council increasingly favoured secured investments or diversified alternatives such as covered bonds, non-banking investments and pooled funds

RESOLVED:

That the Treasury Management Annual Report for 2015/16, set out in appendix A of the report, be noted.

32 MEMBERS' CODE OF CONDUCT: STANDARDS REPORT

The Committee was advised of the number of complaints received under the Code of Conduct for Members which had been considered by the Monitoring Officer and the Independent Person, during the period from 1 March 2016 to 31 August 2016.

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

The report broke down complaints received with regard to the number of complaints made against Cheshire East Councillors and Town and Parish Councillors; the paragraph of the code alleged to have been breached and the outcome of each complaint, where completed.

RESOLVED:

That the report be noted.

33 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE

The Director of Legal Services reported verbally to the Committee that arrangements to appoint an Independent member to the Audit and Governance Committee were underway; the procedure to follow that adopted for the appointment of the Independent Person to the Committee.

The makeup of the Interviewing Panel was confirmed as being the Chairman, the Vice-Chairman and Cllr Amanda Stott.

RESOLVED:

That the arrangements be noted.

34 LOCALISM ACT 2011 - GENERAL DISPENSATIONS

Consideration was given to the report which sought approval for the renewal of a number of general dispensations under the Localism Act 2011; previously approved by Audit and Governance in September 2012.

The Localism Act 2011 prevented Councillors from participating in any business of the Council where they had a Disclosable Pecuniary Interest, unless a dispensation had been sought under Section 33 of the act. To enable all members of Council to be able to be present, speak and vote at a meeting at which they would otherwise have a Disclosable Pecuniary Interest (DPI); the Committee was invited to renew the general dispensations set out in the report for a four year period.

RESOLVED:

That the general dispensations for all elected and co-opted members of Cheshire East Council, as set out in paragraph 4.4 of the report, be approved for a period of four years up to 28 September 2020.

35 COMMITTEE WORK PLAN 2016/17

Consideration was given to the Committee's Work Plan and it was agreed that the following items be added:

- Review of Cardiff checks
- Upheld complaints to Local Government Ombudsman
- Post contract assessment of procurement exercises

RESOLVED:

That the subjects listed above be added to the Committee's Work Plan.

36 WAIVERS AND NON ADHERENCE NOTIFICATIONS

The Committee considered a report on the quantity and reasons for Waiver and non Adherences (WARNs) approved between 1 June 2016 to 31 August 2016. The report also presented the approved WARNs for review.

In response to a question raised by a member relating to the number of WARN's listed, officers anticipated that numbers would start to fall from the next financial year as actions were put in place.

RESOLVED:

That the report be noted.

37 EXCLUSION OF THE PRESS AND PUBLIC

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

38 WAIVERS AND RECORD OF NON ADHERENCE NOTIFICATIONS

RESOLVED:

That the approved WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor L Smetham (Chairman)