

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 15th March, 2018 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)
Councillor M Sewart (Vice-Chairman)

Councillors S Corcoran, R Fletcher, L Gilbert, A Kolker, N Mannion, G Merry
and A Stott

Members in attendance

Councillor P Bates
Councillor JP Findlow
Councillor D Hough

Officers in attendance

Kath O'Dwyer, Acting Chief Executive
Jan Willis, Interim Executive Director of Corporate Services
Dan Dickinson, Acting Director of Legal Services and Interim Monitoring Officer
Linda Couchman, Acting Strategic Director of Adults Social Care & Health
Sara Barker, Head of Strategic HR
Alex Thompson, Head of Finance and Performance
Michael Todd, Principal Auditor
Josie Griffiths, Principal Auditor
Joanne Wilcox, Finance Lead Corporate
Rachel Graves, Democratic Services Officers

External Auditors (Grant Thornton)

Jon Roberts and Scarlett Mayer

45 APOLOGIES FOR ABSENCE

Apologies were received from Councillor T Dean and Mr P Gardener.

46 DECLARATIONS OF INTEREST

No declarations of interest were made.

47 PUBLIC SPEAKING TIME/OPEN SESSION

Councillor D Hough asked about the work done at Wayside Linley Play area. He asked who authorised it, what was the cost, which budget pot did it come from and who has signed off the work. The Chairman responded that this was outside the remit of the Committee but asked the Interim

Monitoring Officer to look into the matter. The Interim Monitoring Officer asked that Councillor Hough forward the detail to them.

48 MINUTES OF PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 7 December 2017 be approved as a correct record.

49 EXTERNAL AUDIT PLAN 2016/17 - UPDATE

The Committee received an update on the External Audit Plan for 2016/17 from Jon Roberts of Grant Thornton.

It was expected that the work in relation to the objection to the Audit would be concluded by the end of April. There would be a period of consultation with the objector, Council and regulators before the report could be finalised.

RESOLVED:

That the update on the External Audit Plan 2016/17 be received.

50 EXTERNAL AUDIT PLAN 2017/18

The Committee considered the Audit Plan for the year ending 31 March 2018, which set out the work to be carried out by the Council's External Auditors Grant Thornton.

Jon Roberts of Grant Thornton outlined the work, detailed in the Appendix to the report, which included auditing identified significant risks and Value for Money arrangements.

RESOLVED:

That the Audit Plan for 2017/18 be received.

51 ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS

The Committee considered a report which provided an update on the appointment of an external auditor from 1 April 2018.

At the Council meeting on 15 December 2016 it was agreed that the Council should 'opt in' to a national scheme rather than make its own auditor appointment.

The appointment process has been undertaken by Public Sector Audit Appointments Ltd and resulted in Mazars LLP being appointed to audit the

Council's accounts for the next five years. The proposed scale fee for 2018/19 was £119,034.

RESOLVED:

That the outcome of the procurement exercise undertaken by Public Sector Audit Appointments Ltd which resulted in Mazars LLP being appointed to audit the accounts of Cheshire East Council for five years, from 2018/19 to 2022/23 and that the scale of fees are expected to reduce by approximately 23% compared to the 2017/18 be noted.

52 MEMBERS CODE OF CONDUCT: STANDARDS REPORT

The Committee considered the reports which detailed the number of complaints received under the Members Code of Conduct 2012 and the Members Code of Conduct 2018 considered by the Acting Director of Legal Services in their capacity as Monitoring Officer and the Independent Person during the period 1 September 2017 to 28 February 2018.

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 reports be noted.

53 INFORMING THE RISK ASSESSMENT FOR CHESHIRE EAST COUNCIL

The Committee considered a report on management's response to a series of questions posed by the Council's External Auditors.

In order to comply with International Standards on Auditing (UK and Ireland), the Council's External Auditors - Grant Thornton, require an understanding of management processes for fraud, laws and regulations, going concern, accounting estimates and related party transactions.

Appendix A to the Report detailed a series of questions on each of the above areas and the response that Grant Thornton had received from Cheshire East Council's management.

The Committee commented and sought clarification on the response to the question "Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2017" and it was agreed that the response would be made clearer. The issue of planning fraud and the acceptance of bribes to approve planning applications was raised and it was reported that this was included in the bribery risk assessment.

RESOLVED:

That the management responses to the series of questions posed by the Council's external auditors be noted.

54 RISK MANAGEMENT UPDATE

The Committee considered a report which detailed the most significant threats and opportunities facing the Council which may prevent, or assist with, the achievement of the Council's Corporate Plan 2016-20.

The report detailed the changes and movement of the risks since the previous update to the Committee. These included:

- CR5 Information Security and Cyber Threat – the risk rating had been increased to 12 High Risk
- CR7a Cheshire East Local Plan Adoption – this risk had been removed from the Register and was now dormant
- CR11 Employee Engagement and Retention – the risk description had been updated to ensure it reflected the current most significant causes of threat to engagement and retention
- CR04 Regeneration – the risk title had been amended to 'Infrastructure and Regeneration' to better reflect the risk description
- CR12 Adult Social Care Market Strain – a new risk around market strain on the adult social care sector
- CR13 – Capacity and Demand – a new risk around increased demand and insufficient capacity to deliver.

RESOLVED:

That the changes to the Corporate Risk Register be noted.

55 INTERNAL AUDIT INTERIM REPORT

The Committee considered an update on the progress with the Internal Audit Plan for 2017/18, which focused on activity between October and December 2017.

During this quarter, in addition to planned activity, a considerable amount of time had been spent undertaking specific and focused reviews of historic land transactions and supporting unrelated investigations into irregularities in other parts of the organisation.

RESOLVED:

That the report be noted.

56 INTERNAL AUDIT PLAN 2018/19

The Committee considered the summary Internal Audit Plan for 2018/19.

The report detailed the key themes that had emerged which included:

- providing assurance that previously identified significant control weaknesses have been effectively and efficiently addresses and improved
- providing assurance on the progress and nature of improvement activity across Procurement, Commissioning and Contract Management
- reviewing key delivery areas associated with high value financial values and high level customer interaction
- providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed and improved.

Preparations were underway to develop a new structure for Internal Audit with consultation beginning in March 2018. The new structure would have an impact on the Internal Audit Plan and therefore the Plan would be updated and brought back to the Committee.

RESOLVED: That

- 1 the annual internal audit plan 2018/19 be approved; and
- 2 note that the plan will be developed and refined throughout the forthcoming year as a number of factors progress and the impact on the current level of audit resource become known.

57 GENERAL DATA PROTECTION REGULATIONS

The Committee received a presentation on the readiness of the Council to meet the requirements of the General Data Protection Regulations.

RESOLVED:

That the presentation be received.

58 THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS AND NEW POLICY - UPDATE

The Committee considered a report on the outcome of the review by Public Concern at Work of the Council's Whistleblowing Policy and arrangements.

Public Concern at Work had carried out a desk based review of the current policy, procedures and supporting documents and had produced a RAG rated report with recommendations and an action plan for improvement – Appendices A and B to the report.

In recognition of the comments and feedback from Public Concern at Work on the length of the existing policy, the potential for mixed messages and

the benefits of a uniform definition of whistleblowing, a revised Whistleblowing Policy, based on the model policy provided by Public Concern at Work, was brought to the Committee for approval.

RESOLVED: That

- 1 the progress made in implementing the action plan developed to address the finding of the policy review be noted; and
- 2 the revised Whistleblowing Policy be approved.

59 CAPITAL, TREASURY MANAGEMENT AND INVESTMENT STRATEGIES - UPDATE

The Committee considered a report on the changes in requirements relating to the Council's Capital, Treasury Management and Investment Strategies.

CIPFA had published revised editions of Treasury Management in Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in December 2017. The changes, effective from 1 April 2018, reflected the changes in patterns of local authority behaviour regarding non-financial assets e.g. investment property portfolios and the provision of loans to local enterprises or third sector entities as part of regeneration or economic growth.

A member Investment Strategy Board would be establish to develop a detailed investment strategy and would be chaired by the Portfolio Holder for Finance. The updated strategies would be brought to the Committee as part of its scrutiny role on treasury management activities.

RESOLVED: That

- 1 the change in requirements to the Council's Capital, Treasury Management and Investment Strategies following revised guidance issued by the Ministry of Housing, Communities and Local Government effective from 1 April 2018 be noted.
- 2 the establishment of a member Investment Strategy Board be noted.

60 THE AUDIT AND GOVERNANCE COMMITTEE WORK PLAN

The Committee consider the Work Plan for 2018/19.

It was suggested that progress with implementing the General Data Protection Regulations be add as standing item and also that a review of the classes of interest to be declared by Member and included in the Code of Conduct be add to the Work Plan.

RESOLVED: That

- 1 the Work Plan be received and noted;
- 2 the additional items suggested be added to the Work Plan; and
- 3 the Work Plan be brought back to the Committee throughout the year for further development and approval.

61 CONTRACT PROCEDURE RULE NON-ADHERENCES

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs) which had been approved between 1 November 2017 and 31 January 2018.

RESOLVED:

That the number and reasons for Waivers and Non-Adherences approved between 1 November 2017 and 31 January 2018 be noted.

62 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1971 as amended 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.

63 CONTRACT PROCEDURE RULES NON-ADHERENCES

RESOLVED:

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.11 pm

Councillor G Baxendale (Chairman)