

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 5th December, 2019 at Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor R Fletcher (Chairman)
Councillor R Bailey (Vice-Chairman)

Councillors D Edwardes, B Evans, S Hogben, M Houston, A Kolker, M Sewart
and M Simon (substitute for Cllr A Gregory)

Independent Co-opted Member

Mr P Gardener

External Audit

Mark Dalton, Mazars

Councillors in attendance

Councillors J Rhodes and A Stott

Officers in attendance

Jane Burns, Executive Director Corporate Services
Alex Thompson, Director of Finance and Customer Services
Jan Bakewell, Director of Governance and Compliance
Josie Griffiths, Head of Audit and Risk Management
Michael Todd, Acting Internal Audit Manager
Juan Turner, Compliance and Customer Relations Officer
Lianne Holliday, Senior Manager – Procurement
Rachel Graves, Democratic Services Officer

43 APOLOGIES FOR ABSENCE

Apologies were received from Councillors A Gregory and S Handley.

44 DECLARATIONS OF INTEREST

No declarations of interest were made.

45 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public present.

46 **MINUTES OF PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on 3 October 2019 be confirmed as a correct record subject to the following spelling correction:

Minutes 33 Minutes of the Previous Meeting

Minutes 19 – Annual Report of the Monitoring Officer – first line ‘pervious’ be corrected to ‘previous’.

47 **EXTERNAL AUDIT REPORT 2019/20**

Mark Dalton of Mazars presented to the Committee their Audit Strategy Memorandum for the year ending 31 March 2020.

The document set out the work that Mazars would be carrying out in their statutory audit on the Council’s financial statements and arrangements for securing value for money, and highlighted the significant audit risks and areas of key judgement.

It was highlighted that Code of Practice on Local Authorities would adopt the principles of IFRS 16 leases for the first time from 2020/21. IFRS 16 would replace the existing leasing standard, IAS 17, and would introduce significant changes to the way bodies accounted for leases and would have substantial implications for public sector bodies.

RESOLVED:

That following consideration of the report the Committee noted the content.

48 **CERTIFICATION OF CLAIMS AND RETURNS 2018/19**

The Committee considered the summary of key findings that had been identified during the External Auditors certification process for the 2018/19 Housing Benefit Subsidy Claim and the Teachers’ Pension End of Year Certificate.

No errors or exceptions had been found by the auditors in the Housing Benefit Subsidy Claim. In the Teachers’ Pension End of Year Certification variances of -£27.48 and -£168.04 between expected and actual Teachers’ and Employers’ contributions were identified and the claim was adjusted accordingly.

RESOLVED:

That the findings of the external audits regarding the certification process for the 2018/19 Housing Benefit Subsidy claim and the Teachers' End of Year Certificate be noted.

49 REVIEW OF CHESHIRE EAST GROUP ACCOUNTING POLICIES

The Committee considered a report which provided an update on the accounting arrangements for the Local Government Pension Scheme in respect to the Council's wholly owned companies, and set out the accounting policies for the Cheshire East Group.

The Council operated a 'pass through' agreement with regards to its pension arrangements with the wholly owned companies. Whilst the accounting arrangements for 'pass through' had been advocated nationally by auditors, actuarial and legal firms there were concerns that the accounting treatment may not be appropriate. There was a view that accounting regulations still required pension liabilities and assets to be accounted for within company accounts, rather than the Council's accounts. As a consequence of this emerging view the accounting policy would be reviewed and a possible change made for the 2019/20 accounts. Any changes made to the accounting policy would be reported to the Committee.

RESOLVED: That

- 1 the changes to the pension scheme in respect of the Cheshire East Group of Companies be noted; and
- 2 the group accounting policies, as set out in Appendix A to the report, be noted.

50 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2020/21

The Committee considered an update on the Council's draft Treasury Management Strategy and the Minimum Revenue Provision Statement 2020/21.

The Treasury Management Strategy focused on the management of the Council's investment and cash flows; its banking, money market and capital transactions; the effective control of the risks associated with these activities, and the pursuit of optimum performance consistent with the risks.

The Strategy formed part of a range of financial strategies which would be reported as part of the Medium Term Financial Strategy to Cabinet and full Council in February 2020.

The Committee sought clarification on the risks of Lender's Option Borrower's Option loans, which had been inherited from Cheshire County Council, and on the long term borrowing from the Public Works Loan Board.

RESOLVED:

That the draft Treasury Management Strategy and the Minimum Revenue Statement 2020/21 be received.

51 MEMBER CODE OF CONDUCT: STANDARDS REPORT

The Committee considered the report which detailed the number and status of Member Code of Conduct complaints received in relation to Cheshire East Councillors and Town and Parish Councillors during the period 1 April 2019 to 30 September 2019.

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.

An amendment to the number of complaints received was reported as follows:

Paragraph 5.2 - 11 complaints had been received with 6 in respect of a Town or Parish Councillor. 5 complaints in respect of a Town or Parish Councillor were taken to the independent assessment meeting.

RESOLVED:

That the report be noted.

52 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN – JULY – AUGUST 2019

The Committee considered a report on the decision notices issued by the Local Government Ombudsman between 1 July 2019 and 31 August 2019.

It was reported that one decision notice had been issued which concluded that there had been maladministration causing injustice - details of which were set out in Appendix 1 to the report.

The Committee referred to a decision notice relating to the Waste and Recycling Service, reported at the previous meeting, and asked if an update on the actions arising from the decision notice could be provided to Committee members.

RESOLVED: That

- 1 the contents of the report be noted; and
- 2 an update on the review of enforcement actions arising from the Waste and Recycling decision notice be circulated to Committee members.

53 INSPECTION BY THE INVESTIGATORY POWERS COMMISSIONERS' OFFICE

The Committee considered a report on outcomes of a remote desktop inspection by the Investigatory Powers Commissioners' Office regarding the Council's use of powers under the Regulation of Investigatory Powers Act (RIPA).

The Inspector raised a number of concerns, including that the quality of the authorisations needed to be improved; continued use of the urgency provision on the surveillance authorisations when no longer applicable and suggested the use of real life RIPA scenarios should be included in training. An Action Plan had been developed to respond to the recommendations from the inspection.

RESOLVED: That

- 1 the Investigatory Powers Commissioners' Office inspection report in relation to the Council's use of directed surveillance and covert human intelligence sources be noted;
- 2 the action plan to address the recommendations arising from the inspection be noted; and
- 3 a progress report on the action plan be brought to a future meeting.

54 RISK MANAGEMENT UPDATE

The Committee considered a report which provided an update on Corporate Risk Management arrangements and activity in the year to date.

The Corporate Risk Register had been reviewed in September 2019, which had resulted in one risk being removed from the register – CR11 Local changes in NHS arrangements.

RESOLVED:

That the update report on risk management be noted.

55 **INTERNAL AUDIT INTERIM UPDATE REPORT APRIL – SEPTEMBER 2019**

The Committee considered an update on the progress against the Internal Audit Plan 2019/20.

The Update Report detailed the work undertaken to the end of September 2019, including the issues identified and actions required from each review carried out.

RESOLVED:

That the contents of the Internal Audit Interim Update be noted.

56 **ANNUAL GOVERNANCE STATEMENT 2018/19 – PROGRESS UPDATE**

The Committee considered an update on the issues reported in the 2018-19 Annual Governance Statement and on the process for the production of the 2019-20 Annual Governance Statement.

The appendix to the Report detailed the progress on the items included in the 2018/19 Annual Governance Statement. Table 1 in the report set out a summary of the recommendations to the Committee on which items should be considered as completed or managed, and can be monitored via local monitoring arrangements and which required further monitoring via the Annual Governance Statement.

The 2019/20 Annual Governance Statement would be prepared in line with the requirements of updated CIPFA/SOLACE guidance and carried out against the principles identified in the current Code of Corporate Governance and would be considered by the Audit and Governance Committee at its meeting in May 2020.

RESOLVED: That the Committee

- 1 note and endorse the updates provided on the issues reported in the Annual Governance Statement 2019/20, including the recommendations to the Committee on whether items remain in the Statement; and
- 2 endorse the process for the production of the 2019/20 Annual Governance Statement.

57 **COMMITTEE WORK PLAN**

The Committee considered the Work Plan for the remainder of 2019/20.

It was noted that the outcome of the Annual Audit and Governance Committee self-assessment had been deferred until March 2020 to enable analysis of the responses provided by Members and inform a programme

of briefings and training sessions to address identified gaps in skills and knowledge.

RESOLVED:

That the Work Plan be noted and that it be brought back to the Committee throughout the year for further development and approval.

58 CONTRACT PROCEDURE RULES NON-ADHERENCES

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs), which had been approved between 1 July 2019 and 31 August 2019.

RESOLVED:

That the report be noted.

59 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 1972 as amended on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

60 CONTRACT PROCEDURE RULES NON-ADHERENCES

The Committee considered the WARNs.

RESOLVED:

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.04 pm

Councillor R Fletcher (Chairman)