

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit and Compliance
Title: Work Plan

1.0 Report Summary

1.1 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 September 2010
- note that the plan will be periodically brought back to the Committee for development and approval

3.0 Reasons for Recommendation

3.1 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 September 2010:

- a training session on performance management has been included for January 2011 at the Committee's request
- 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 Public Service Organisations*'

- 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 Public Service Organisations*'
- a final draft of the Whistleblowing Protocol 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 outcomes of a review of the Anti Fraud and Corruption Policy against best practice guidance, as stated in CIPFA's '*Managing the Risk of Fraud – Red Book 2*', will be presented for consideration and comment prior to the production of an updated strategy document. It had initially been intended that this piece of work be presented to this committee; however, as a result of the requirement to consult with HR and the unions and their current workload in relation to the harmonisation of terms and conditions, a decision has been taken to carry out the review during December 2010, with a view to reporting to the 25 January 2011 Committee

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications including – Climate Change – Health

6.1 Not applicable.

7.0 Financial Implications

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.

8.0 Legal Implications

8.1 None directly from this report.

9.0 Risk Assessment

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

For further information:

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Background Documents:

A Toolkit for Local Authority Audit Committees – The CIPFA Better Governance Forum 2006
CIPFA's Audit Committees – Practical Guidance for Local Authorities

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<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<u>30 September 2010</u>	
Work Plan	The programme of meetings and agenda items was noted.
Internal Audit Update	The emerging issues contained within the report were noted and the audit approach for the remainder of 2010/11 was endorsed.
Review of Internal Audit	Management's response to the external review of Internal Audit by the Audit Commission was noted.
Annual Governance Report, Auditors' report on Financial Statements and Value for Money conclusion.	The Committee received the 2009/10 Annual Governance Report produced by the external auditor and approved the final Statement of Accounts for 2009/10.
<u>17 November 2010</u>	
Final Account Memorandum	This report provides the Council with the detailed messages from the audit of the 2009/10 main financial statements, with the aim of helping the Council to improve the quality of its financial statements in future years.
Code of Corporate Governance	The Committee is responsible for developing the Council's Code of Corporate Governance which is used as a basis for self-assessment, continuous improvement and as a contributor to producing the AGS. Hence it needs to approve any proposed changes to it.
Risk Management update report	The Risk Management function report addresses whether best practice is being followed in the Council's management of its risks and how new risks are identified and existing risks are changing.
Annual Governance Statement 2010/11	The Accounts and Audit Regulations (2003 as amended) require the production of an Annual Governance Statement. This report aims to agree the process for producing the AGS with Members.

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Internal Audit Terms of Reference	The purpose, authority and responsibility of Internal audit are formally defined in the terms of reference. The report advises the Committee of the documents content.
Internal Audit Strategy	This is a statement of how the internal audit service will be delivered and developed in accordance with the terms of reference. The report advises the Committee of the documents content.
Whistleblowing Protocol	The Committee is responsible for reviewing the implementation of the Council's whistleblowing policy. Hence it needs to be aware of and endorse any proposed changes to the Strategy.
Customer Complaints	The Committee is charged with seeking assurance that customer complaint arrangements are robust. This report provides a summary of performance during the second quarter against the defined Corporate Compliments, Suggestions and Complaints policy and procedure.
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 risk management is scheduled after the meeting</i></p>
<u>25 January 2011</u>	
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.
Opinion Plan	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.
Annual Audit Letter	The purpose of preparing and issuing annual audit letters is to communicate to the audited body and external stakeholders, including members of the public,

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	<p>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>
Grants Report to those charged with Governance	<p>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.</p>
Risk Management Strategy & Business Continuity Strategy	<p>In considering the effectiveness of the Authority's risk management arrangements the Committee must be aware of the Risk Management Strategy and any proposed changes to it.</p>
Business Continuity Update	<p>The Committee will be made aware of how the authority manages its own contingency and business recovery plans.</p>
AGS Action Plan	<p>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.</p>
Update on IFRS	<p>The Committee will be asked to note the progress made on the IFRS Action Plan.</p>
Counter Fraud Corruption	<p>The Committee is responsible for overseeing the implementation of the Council's Anti Fraud and Corruption Policy and Strategy. Hence the Committee needs to be aware of and endorse any changes to the strategy.</p>
Anti Fraud & Corruption	<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>

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<p>Freedom of Information and Data Protection</p> <p>Work Plan</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 • 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> <p>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.</p> <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>
<p><u>29 March 2011</u></p> <p>Internal Audit Plan for 2011/12</p> <p>Regulation of</p>	<p>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.</p> <p>The RIPA annual report that is submitted to the</p>

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Investigatory Powers Act (RIPA)	<p>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 update	<p>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.</p>
AGS update	<p>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.</p>
Governance	<p>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.</p>
Anti Fraud & Corruption	<p>The anti-fraud and corruption strategy includes a series of measures designed to prevent any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. Periodically Internal Audit should assure the Committee that the measures prescribed by the strategy are operating effectively.</p>
Whistleblowing	<p>The whistleblowing policy includes a series of measures designed to encourage staff to raise concerns and the steps to be taken to investigate such concerns. Periodically Management should assure the audit committee that the policy is operating effectively.</p>

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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 representatives on outside bodies.
Anti-Money Laundering	<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	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.