

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 30th June, 2011 at Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

## **PRESENT**

Councillor J Hammond (Chairman)  
Councillor M Hardy (Vice-Chairman)

Councillors S Corcoran, A Kolker, D Marren, A Moran, M J Simon,  
M J Weatherill and S Hogben (for Cllr Cartlidge)

## **Officers**

Vivienne Quayle, Head of Policy and Performance  
Lisa Quinn, Borough Treasurer  
Julie Openshaw, Deputy Monitoring Officer  
Brian Reed, Democratic and Registration Services Manager  
Paul Mountford, Democratic Services Officer  
Joanne Wilcox, Corporate Finance Lead  
Jon Robinson, Internal Audit  
Sandra Smith, Compliance Unit Manager  
Joanne Butler, Risk and Business Continuity Officer

## **Audit Commission**

Andrea Castling  
Judith Tench

## **Apologies**

Councillors R Cartlidge and R Fletcher

## **1 DECLARATIONS OF INTEREST**

No interests were declared.

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

There were no members of the public present.

## **3 MINUTES OF PREVIOUS MEETING**

## **RESOLVED**

That the minutes of the meeting of 29<sup>th</sup> March 2011 be approved as a correct record.

#### **4 APPOINTMENT OF APPEALS SUB-COMMITTEE**

The Committee considered proposed interim arrangements for considering appeals through the appointment of an Appeals Sub-Committee.

The Council at its Annual Meeting on 18<sup>th</sup> May 2011 had reviewed the Council's committee structure and had decided not to appoint an Appeals Committee as a standalone body, instead transferring that Committee's functions to the Audit and Governance Committee.

The Officers had given further consideration to these arrangements in light of CIPFA best practice which suggested that audit and governance committees were likely to be more effective by focussing on their own defined areas of business rather than on a broader remit. The Constitution Committee would therefore be asked at its next meeting to review the arrangements for dealing with appeals with a view to making suitable recommendations to Council.

In the meantime, there were a number of appeals waiting to be heard and for the time being the Audit and Governance Committee was the responsible body. The Committee was therefore required to determine interim arrangements for considering appeals.

#### **RESOLVED**

That

(1) an Appeals Sub-Committee be appointed with full delegated powers to hear and determine the following:

- appeals lodged under the Marriage Acts.
- appeals lodged with the Council for determination, as authorised under all relevant education legislation, excluding those duties falling to the Independent Appeals Panel (schools admissions and exclusions).
- appeals lodged with the Council in respect of school transport.
- appeals from bus contractors in accordance with contract procedures.
- any appeals lodged with the Council as Social Services Authority, and as authorised under all relevant social services legislation.

(2) the Sub-Committee comprise 5 members (3 Con; 1 Lab; 1 Ind) to be nominated by the Political Groups;

(3) the Officers arrange suitable training for the members appointed to the Sub-Committee;

- (4) the Appeals Sub-Committee's meetings be held, wherever possible, on those dates already scheduled in the calendar of meetings for the former Appeals Committee; and
- (5) the Committee note that the arrangements for dealing with appeals are to be reviewed by the Constitution Committee at its next meeting and the outcome of that review be awaited.

## **5 ANNUAL AUDIT FEES 2011/2012**

The Committee considered a report on the Audit Commission's Annual Audit fees for 2011/12. Judith Tench and Andrea Castling of the Audit Commission were present to discuss the annual audit letter and fee with Members.

The Audit fee letter, which had been circulated with the agenda, set out the audit work to be undertaken during the year in relation to the financial statements, the Value for Money conclusion, the Whole of Government Accounts return and the certification of grant claims and returns.

The planned audit fee for 2011/12 was £341,750 (exclusive of VAT). The fee was based on a set scale rather than containing fixed and variable elements and reflected a reduction in fees from 2010/11.

The fee for Cheshire East Borough Council was 5% below the scale fee of £358,650 and was based on an assessment of audit risk and complexity. This was a reduction from previous years where fees had been set above the scale fee to reflect the audit risks associated with a new authority.

The base budget for audit fees was £330,389. The quoted audit fee for 2011/12 therefore exceeded the budget provision by £11,361. In addition, fees relating to the certification of claims and returns amounted to £97,994. This overspend would be met from Council balances.

In considering the letter, the Committee had regard to the Audit Commission Code of Audit Practice and to the Statement of Responsibilities of Auditors, copies of which were circulated at the meeting.

### **RESOLVED**

That

- (1) the Audit Commission's letter on the Annual Audit Fee for 2011/12 be received; and
- (2) the proposed work programme, indicative fees and associated budgetary implications be noted.

## **6 PROGRESS REPORT - AUDIT 2010-11**

The Committee considered a report on progress to date against the 2010-11 Audit Plan. Judith Tench and Andrea Castling of the Audit Commission were present to answer Members' questions on the progress report.

The report provided members with an update of the Audit Commission's work at the Council and identified risks arising from the audit including transition to IFRS, upgrading of the main financial system and the implementation of a new revenues and benefits system. Progress in each of these areas was reported.

### **RESOLVED**

That the Audit Progress Report for 2010-11 be received and noted.

## **7 DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2010-11 - APPROVAL PROCESS**

The Committee received an update on the process and timetable for the approval of the 2010-11 Statement of Accounts and Annual Governance Statement.

Members were required to consider and approve the accounts before 30<sup>th</sup> September, taking into account the auditors' findings and any consequential adjustments to the draft accounts. The Annual Governance Statement (AGS) had to be approved and published at the same time.

Training/briefing sessions would be held in early September to address both the structure and content of the accounts together with the AGS and the accompanying assurance documents. It was proposed that training sessions be held on 7<sup>th</sup>, 12<sup>th</sup> and 14<sup>th</sup> September.

The approval of the audited accounts and the AGS would take place at the Committee's meeting on 29<sup>th</sup> September 2011. An informal briefing session will be arranged immediately prior to the meeting to address any outstanding issues.

### **RESOLVED**

That

- (1) the process and timetable for the approval of the 2010-11 Statement of Accounts and Annual Governance Statement be noted; and
- (2) training sessions be arranged for 7<sup>th</sup> and 12<sup>th</sup> September and Members notify the Democratic Services Manager of their preferred dates; alternative dates be identified for a follow-up session in September and Members be consulted on their availability on those dates.

[Note: it had not been possible to arrange an alternative date to 14<sup>th</sup> September as the external trainers were fully booked. A copy of the presentation and training material would be made available to members who were unable to attend.]

## **8 INTERNAL AUDIT ANNUAL REPORT 2010/11**

The Committee considered Internal Audit's annual report for 2010/11.

The primary purpose of the report was to provide an opinion on the overall adequacy and effectiveness of the Council's control environment which included risk management processes, control systems, accounting records and governance arrangements.

In the opinion of the Head of Internal Audit and Compliance, the Council had established adequate and effective risk management, control and governance processes; any weaknesses identified during the audit had been, or were being, addressed.

At the Audit and Governance Committee meeting on the 25<sup>th</sup> January 2011, it was agreed that Internal Audit would carry out a review of the savings achieved through redundancy. The results of this review were included as Annex A to the report.

In considering the specific areas and functions referred to in Appendix A to the report, Members noted that in some cases, whilst the findings of audit had been included there was no reference to the recommendations for remedial action.

Members also considered whether the Audit and Governance Committee should submit an annual report to Council.

### **RESOLVED**

That

- (1) the Internal Audit annual report for 2010/11 be noted;
- (2) for the future, where audits have been undertaken of specific areas of work, the report include the agreed recommendations for remedial action, and in cases where significant progress has not been made in implementing recommendations, this be reported to the Committee; and
- (3) with effect from the next municipal year, the Audit and Governance Committee submit an annual report to Council.

## **9 RISK MANAGEMENT UPDATE REPORT**

The Committee considered an update report on risk management.

The Audit and Governance Committee had a key role in providing an oversight of the effectiveness and 'embedding' of risk management processes, and in testing and seeking assurance about the effectiveness of control and governance arrangements. In order to form an opinion on these arrangements, it needed to establish how key risks were identified, evaluated and managed, and the rigour and comprehensiveness of the review process. The report provided a summary of the key corporate risks and risk management work undertaken since the last report.

At its meeting on 17 May 2011, the Corporate Risk Management Group had discussed, considered and endorsed the risk ratings for a number of key risks, details of which were set out in the report.

Other areas of work undertaken on risk management included:

- Proposals to articulate the Council's risk 'appetite' and define key risk area tolerance statements.
- The nomination of Risk Service Area Leads.
- Risk management training sessions and workshops.

## **RESOLVED**

That the update report on risk management be noted.

## **10 RISK MANAGEMENT POLICY REVIEW**

The Committee considered an updated Risk Management Policy prior to the policy being submitted to Cabinet for approval.

The present risk management strategy was last amended and approved by Cabinet at its meeting on 14 July 2009 and was therefore due for review. The review of the risk management strategy by the Corporate Risk Management Group had shown that, whilst the majority of the strategy components appeared to be appropriate, there were a number of areas that required updating.

The policy did not include details of the risk management process or the procedures and documentation. It was intended that these would be included in a risk management handbook or toolkit for staff and Members and would include information on the risk management of partnerships and projects.

## **RESOLVED**

That the updated risk management policy be endorsed.

## **11 BUSINESS CONTINUITY UPDATE**

The Committee considered a report on the actions in place to ensure that the Council was prepared to deliver key functions in an emergency.

A paper had been submitted to the Audit and Governance Committee on 29<sup>th</sup> March, 2011 outlining the steps taken by the Council to develop business continuity plans to ensure that key functions could be delivered in an emergency. The Committee had asked to be updated on business continuity arrangements on a quarterly basis, and the report aimed to provide a summary of progress and key current issues.

Departments had categorised activities into three priorities:

- Priority 1 – to be delivered within 0-5 days of an incident
- Priority 2 – to be delivered within days 6-14 on an incident
- Priority 3 – can be suspended for at least 14 days

Appendix B to the report detailed activities which it was considered must be delivered within 0-5 days of an emergency (Priority 1). Services had developed plans to ensure that they could deliver these activities.

Regular meetings were held with Cheshire West and Chester Business Continuity representatives and Shared Services representatives to ensure that there were robust continuity plans in place for HR, Finance and IT. In addition, in conjunction with the Joint Cheshire Emergency Planning Team, discussions were in progress with Halton Borough Council and Warrington Borough Council to pursue opportunities for more joint working.

## **RESOLVED**

That

- (1) the actions in place to ensure that the Council is able to deliver key functions in an emergency be noted; and
- (2) future reports include a specific example of a business continuity plan.

## **12 WHISTLEBLOWING POLICY**

The Committee considered a report on a revised Whistleblowing Policy.

It was necessary to review the Council's Policy regularly to ensure that it remained compliant with best practice.

The Whistleblowing Policy included a series of measures designed to encourage staff to raise concerns and the steps to be taken to investigate such concerns.

As the Policy formed part of the Constitution, it would require approval by full Council on the recommendation of the Constitution Committee, having taken into consideration any comments by this Committee.

## **RESOLVED**

That the revised Whistleblowing Policy as set out in Appendix to the report be endorsed.

### **13 ANTI-FRAUD AND CORRUPTION ARRANGEMENTS**

The Committee considered the outcome of a review of anti-fraud and corruption arrangements.

As part of ongoing effort to ensure that the systems and procedures in place within the Council remained relevant and met best practice, the Anti-Fraud and Corruption arrangements had been reviewed against guidance issued by CIPFA in the publication "Managing the Risk of Fraud – Actions to Counter the Risk of Fraud- Red Book 2".

The report set out the key findings of the review, together with actions to improve or develop the Council's counter fraud arrangements and address any areas of weakness.

The review had shown that detailed monitoring was carried out of all fraud investigations and that this fed into a risk-based approach to planning future work. In addition, regular reports were produced to relevant officers and Committees informing them of the outcomes of investigations that impacted upon their areas of responsibility.

## **RESOLVED**

That the report be noted.

### **14 WORK PLAN**

The Committee considered the contents of the Work Plan.

A number of changes had been made to the Work Plan since the previous meeting, including the inclusion of a quarterly Business Continuity update report.

The Committee noted that new regulations (cited as the Accounts and Audit Regulations 2011) had come into force on 31<sup>st</sup> March 2011 which had the following implications for the Work Plan:

- The regulations had removed the requirement for the accounts to be formally reviewed and approved by the Audit and Governance Committee prior to audit (i.e. before the end of June), although they still had to be signed by the responsible Borough Treasurer and Head of Assets at that date.
- Members now had to consider and approve the accounts no later than 30<sup>th</sup> September following the financial year end. The AGS had to be



approved and published at the same time as the statement of accounts. A training/briefing session would be held in early September to address both the structure and content of the accounts together with the AGS and the accompanying assurances.

## **RESOLVED**

That the Work Plan, including the changes made since the previous meeting and the implications of the Accounts and Audit Regulations 2011, be noted.

The meeting commenced at 2.00 pm and concluded at 4.36 pm

Councillor J Hammond (Chairman)