

Audit and Governance Committee

Agenda

Date: Thursday, 29th September, 2011
Time: 2.00 pm
Venue: Committee Suite 1, 2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any personal and/or prejudicial interests in any item on the agenda

3. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos.11 and 35 a period of 10 minutes is allocated for members of the public to address the meeting on any matter relevant to the work of the meeting. Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

4. **Minutes of Previous Meeting** (Pages 1 - 10)

To approve the minutes of the meeting held on 30th June 2011.

Contact: Paul Mountford, Democratic Services
Tel: 01270 686472
E-Mail: paul.mountford@cheshireeast.gov.uk

5. **2010-11 Annual Governance Report** (Pages 11 - 12)

To consider the Annual Governance Report 2010-11.

6. **Annual Governance Statement (AGS) 2010/11** (Pages 13 - 34)

To approve the Annual Governance Statement 2010/11 for signature by the Leader of the Council and the Chief Executive.

7. **Internal Audit Plan 2011/12 and Update Report** (Pages 35 - 46)

To update the Audit and Governance Committee on progress against the Internal Audit Plan 2011/12, revisions to the plan and to summarise work during the first quarter of 2011/12.

8. **Risk Management Update Report** (Pages 47 - 52)

To provide a summary of the key corporate risks and risk management work undertaken since the last report.

9. **Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review for the year ended 31st March 2011** (Pages 53 - 56)

To consider a summary of the complaints received by Cheshire East Council and also those dealt with by the Local Government Ombudsman about Cheshire East Council for the period 1st April 2010 to 31st March 2011.

10. **Breach of the Council's Contract Procedure Rules** (Pages 57 - 62)

To consider a report regarding a breach of the Council's Contract Procedure Rules, outlining the reasons for the non-compliance and the steps taken to prevent a re-occurrence.

11. **Work Plan** (Pages 63 - 76)

To present an updated Work Plan for the Committee's consideration.

(There are no Part 2 items)

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 29th 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 18th 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 30th 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 7th, 12th and 14th September.

The approval of the audited accounts and the AGS would take place at the Committee's meeting on 29th 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 7th and 12th 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 14th 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 25th 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 29th 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 31st 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 30th 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)

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 29th September 2011
Report of: Director of Finance and Business Services
Subject/Title: 2010-11 Annual Governance Report

1.0 Report Summary

- 1.1 The Annual Governance Report will be presented to the Committee by the Audit Commission, the Council's external auditors. The report summarises the findings from the 2010/11 Audit. It identifies the key issues that have been considered by the Audit Commission before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

2.0 Recommendations

- 2.1 That members receive and comment on the Annual Governance Report for 2010/11 for Cheshire East Borough Council.
- 2.2 That members approve the final Statement of Accounts for 2010/11.

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance. The Annual Governance Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2010/11.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change/Health

- 6.1 None.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

7.1 As covered in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 As covered in the report.

9.0 Risk Management

9.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

10.0 Background and Options

10.1 The Accounts and Audit Regulations (2011) required the Statement of Accounts to be prepared and certified by the Council's Section 151 Officer (Director of Finance and Business Services) by the 30th June 2011 before being presented for audit.

10.2 The auditors are responsible for giving an opinion on:

- whether the accounts present a true and fair view of the financial position of the authority and its expenditure and income for the year in question;
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

10.3 The findings, conclusions and recommendations from the audit work undertaken by the appointed auditors will be presented to the Committee on 29th September 2011.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Joanne Wilcox

Designation: Corporate Finance Lead

Tel No: (01270) 685869

Email: joanne.wilcox@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 29th September 2011
Report of: Corporate Governance Group
Title: Annual Governance Statement (AGS) 2010/11
Portfolio Holder: Councillor Michael Jones (Resources)

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to approve the Annual Governance Statement 2010/11 for signature by the Leader of the Council and the Chief Executive. Once approved, the AGS will accompany the statement of accounts.

2.0 Recommendation

- 2.1 That the Committee approves the Annual Governance Statement.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations, the Annual Governance Statement should be approved by Members meeting as a whole of Committee at the same time as the statement of accounts is approved, i.e. by 30 September.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None.

7.0 Financial Implications

- 7.1 No specific financial implications. The production of the AGS aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by end of September 2011).

8.0 Legal Implications

- 8.1 The production of the AGS is required by the Accounts and Audit Regulations.

9.0 Risk Assessment

- 9.1 The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations. Failure to do so could result in non-compliance with the requirements of the Regulations.

10.0 Background and Options

- 10.1 As previously reported to the Audit and Governance Committee, the Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations.
- 10.2 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses. This report and Appendix A are the results of that review.
- 10.3 The review of governance arrangements in place for 2010/11 has been informed by the work of Internal Audit and senior managers and also comments made by the External Auditors and other review agencies/inspectorates. The sources of assurance include:
- Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process
 - The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities
 - Internal Audit, through the annual and interim reports
 - External Audit through reports
 - Outcomes from other review agencies and inspectorates

- Directors and Service Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements
 - Designated officers who complete AGS self assessment questionnaires (in this way compliance with the Council's Code of Corporate Governance will be evidenced).
- 10.4 The AGS has been considered by the Corporate Management Team with work being co-ordinated by the Corporate Governance Group.
- 10.5 In order that Members may discharge their duties, the Committee has received reports, information and training throughout the period under review including:
- Internal Audit Annual Report for 2010/11
 - Interim update reports from Internal Audit
 - Update reports on Risk Management
 - A workshop that examines the draft AGS and supporting documentation.
- 10.6 The results of the review are attached as Appendix A.
- 10.7 Regular updates on progress on the AGS Action Plan will be brought to this Committee during 2011/12.

11.0 Access to information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Lisa Quinn

Designation: Director of Finance and Business Services

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Appendix A

CHESHIRE EAST COUNCIL ANNUAL GOVERNANCE STATEMENT 2010-11

Scope of responsibility

Cheshire East Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cheshire East Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cheshire East Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cheshire East Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [Code of Corporate Governance](#). This statement explains how Cheshire East Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheshire East Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Appendix A

The governance framework has been in place at Cheshire East Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

Describe the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Authority has a Sustainable Community Strategy (SCS), Corporate Plan and Service Plans for each key service area. The SCS, "Ambition for All" sets out a collective vision for Cheshire East and the priority actions which need to be addressed over the next 15 years to achieve that vision.
- The Council's vision and purpose is brought together and communicated via the Council's Corporate Plan. This plan aims to ensure Cheshire East delivers its obligations and wider community leadership role. The Corporate Plan for 2011-14 was approved in February 2011.
- The Annual Report for 2009/10, "One Year On" was published in June 2010 highlighting key achievements in the Council's first year. The publication of the annual financial statements met statutory requirements and an improvement plan following review of the 09/10 closure of accounts has been progressed with regular updates to the Audit and Governance Committee.
- The Budget Report, "Our People, Our Place" sets out the Council's financial position and three year financial targets. Quarterly financial update reports and the final outturn report provide more detailed analysis of financial performance.
- The performance management framework governs how Cheshire East translates priorities into plans, and plans into delivery through setting clear objectives, aligning resources to ensure delivery, and setting robust targets to keep focus on delivering the right outcomes.
- There is an annual communication plan that ensures priorities, finances, achievements, and objectives are communicated to relevant stakeholder groups.

Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Authority's vision and Community Strategy were subject to extensive consultation in spring 2010, resulting in the approval of the strategy in July 2010. The vision has been revisited and remains as "Working Together to

Appendix A

Improve Community Life” The strategy provides a common vision for the Partnerships for Action on Cheshire East (PACE), partner groups and Local Area Partnerships (LAPs).

- Area Plans are at the centre of local area working. Each LAP has an Area Management Group (AMG), who manages the business and develops the Area Plan, based on the guidance of the Area Assemblies, which are open meetings involving the wider community and partners.
- PACE have adopted a Partnership Agreement and all LAP management groups have agreed terms of reference.
- The impact of the Council's vision on the governance arrangements is considered through the Code of Corporate Governance.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Scrutiny Committees and the Audit and Governance Committee hold the Cabinet to account in discharging their functions. The Committees assist and challenge the Council and Cabinet in the development and review of its major plans, policies and strategies and undertake specific reviews of the Council's organisation and service provision with a view to improving service delivery.
- The Corporate Plan has been reviewed and updated, linked closely to the Council's budget. Performance data is included in service plans and informs objective setting and action planning.
- A Value For Money (VFM) Strategy has been developed and agreed by Corporate Management Team and a positive VFM opinion was received by the Audit Commission in the 2009/10 Accounts. Audit Commission and CIPFA benchmarking data has been used to inform budget planning and challenge sessions.
- The Council has a Data Quality Strategy and a new performance management system, CorVu has been implemented in 2010/11 to allow tracking/reporting on key performance data. There is a medium term financial strategy in place and the business planning cycle included extensive external consultation. The Cabinet formally receives integrated reports on performance on a quarterly basis, covering overall performance and financial performance.
- An updated Cheshire East Complaints policy and procedure was implemented in April 2010. Performance data on the time the Council

Appendix A

takes to respond to complaints has been published on a quarterly basis. A new Complaints Management system has been implemented in early 2011. The Council has joined the Local Government Benchmarking Group that provides mystery shopping feedback on a half yearly basis, including comparisons against other local authorities. Regular customer satisfaction surveys will be initiated following the implementation of a new Customer Relationship Management system.

- The Council has approved a five year Carbon Management Plan which includes a clear baseline position and targets for improvement. There is a Programme Management Board in place chaired by a member of the Corporate Management Team and clear plans to deliver the priorities and actions identified.
- During 2010/11, the new coalition Government has set in place plans to reform local government audit, inspection and monitoring arrangements, including the abolition of the Audit Commission, the Comprehensive Area Assessment and Local Area Agreements. The challenge for Cheshire East is how to respond to the greater freedoms to report and monitor performance. This is kept under regular review.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Council has adopted a Constitution including descriptions of member and officer roles and responsibilities. Departments maintain registers of delegated decisions by officers. The Constitution is renewed in-year by the Constitution Committee and updated. The Cabinet and individual executive members take decisions which are fully recorded and minuted.
- The roles of senior officers, non-executive members, other committees and members generally are set out by the Constitution and Protocols. Senior officers also have contracts of employment. The responsibilities of individual members are not brought together into a single document but are to be found in the various protocols.
- The Constitution contains a scheme of delegation to officers and delineates between Council, executive and individual cabinet members regarding their powers. This is reviewed in-year by the Constitution Committee.
- The Council has approved a number of refinements to the originally approved Constitution. The Constitution Committee has agreed that a review of the Constitution should take place in order to secure further improvements, specifically in more clearly defining: the responsibilities of

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and delegations to Portfolio holders, the responsibilities of and delegations to officers, and Contract Procedure Rules.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- Officers and Members Codes of Conduct are included within the Constitution. The values embedded in the Codes define standards of behaviour expected of Members and Officers and are required to be observed as part of their normal conditions of service. The Codes are communicated to Members and Officers via briefings, training and are available on the Council's intranet and internet.
- The Standards Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members and Officers of the Council and also advises the Council on the adoption or revision of the Codes of Conduct for Members and Officers.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Constitution contains a range of documents which comprise its governance arrangements. These include the Council's Procedure Rules, Finance and Contract Procedure Rules and Schemes of Delegation. The Constitution is widely available and is currently under review.
- The Council's decision making arrangements are set out in the Constitution and Officers are required to get Legal and Financial professional sign off before reports go to decision making bodies.
- The Council has reviewed and updated its risk management procedures and has a risk management policy. The policy has recently been reviewed and will be formally approved by Cabinet in July/August 2011. All Service Plans include a risk assessment of all operational and strategic risks. All Committee reports for key decisions also require a risk assessment.
- The Council has a Corporate Risk Management Group which meets regularly and is chaired by the Portfolio Holder responsible for risk. The group comprises senior managers from across the Council and is responsible for developing the corporate risk register and ensuring the completeness, accuracy, ongoing review, monitoring and reporting of these risks.

Appendix A

- The review and updating of the Council's risk management procedures is ongoing to further embed risk management Council-wide into the culture of Cheshire East by strengthening departmental risk registers, seeking approval for the role of risk champions and integrating risk management into the new performance management system.

Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2010)*

- The Chief Financial Officer is professionally qualified, reports directly to the Chief Executive and is a member of the Corporate Management Team, with a status at least equivalent to other members.
- The Chief Financial Officer attends Council, Cabinet and Corporate Management Team to provide direct input on all key decisions and is consulted and signs off financial input to all Committee reports.
- The Chief Financial Officer plays a key role in the business planning process, providing regular updates to Cabinet and Scrutiny Committees on financial scenario and budgetary position, including capital programme and treasury management.
- The local code of governance has been amended in 2010/11 to reflect the additional/expanded governance requirements from the CFO Statement on the Role of the Chief Financial Officer in Local Government (2010).

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- The audit function has been undertaken to date by the Audit and Governance Committee (formerly Governance and Constitution Committee). The Committee's role is to help the Council improve by providing effective assurance on the adequacy of its governance arrangements as well as the general control environment.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and the expenditure is lawful

- The Council has in place, within the Constitution, various procedure rules which set out how budget and policy decisions are made. Officers are required to ensure that compliance with relevant laws and regulations and lawful expenditure is delivered. Reports provide a section for legal implications, and reports cannot go before Cabinet or Council without this being addressed.

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- The Council's Statutory Officers have a positive responsibility to report to the Council, in respect of:
 - Co-ordination of functions, staff and management matters – the Chief Executive (Head of Paid Service)
 - Financial administration, probity and propriety – the Director of Finance and Business Services (Section 151 Officer)
 - Legality and administration – Borough Solicitor (Monitoring Officer).
- Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by Scrutiny Committees, External Audit and other inspection agencies.
- The Head of Internal Audit produces an annual audit report which provides assurance on the adequacy of the Council's control environment.
- The Risk Management Strategy aims to embed risk management into the operational management of the Council and risk assessments are used as part of the key decision making process.

Whistle-blowing and arrangements for receiving and investigating complaints from the public

- The Council has had formal Whistle-blowing and Anti-Fraud and Corruption policies in place throughout the year. They are prominent on the web site both internally and externally. All instances of whistle-blowing have been investigated and closed appropriately and all incoming and in-year instances of potential fraud and corruption have been reviewed and closed, including referral to the police where necessary.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- Members receive individual induction and access to a comprehensive member training programme. Member Personal Development Plans are in place for four years, with an annual review. This was facilitated by North West Employers in 2009.
- Any member taking on a new role is offered an induction and any training required. Planning and Licensing Committee Members have to undertake mandatory training before taking their place on the committee.
- Workforce development plans are developed each year both at a Corporate and a service level as an integral part of the business planning process. Individual development plans are also identified as part of the

Appendix A

performance appraisal process and linked to objectives. A corporate induction programme is in place and all new starters are required to attend.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Council is developing a process to ensure regular feedback on the delivery of priorities, with research planned in each year and supplemented by regular 'point of contact' customer service feedback. A Quality of Life Survey was undertaken in 2010/11 and a Citizens Panel set up in 2011/12.
- The Local Area Partnerships (LAPs) are a significant mechanism for input and the new assembly model. The LAPs hold up to four Assemblies a year to engage the wider community and local partners. Area Assemblies are open to and involve anyone who has an interest in the local area, and getting involved in local projects and activities. They are promoted locally to attract as many partners as possible. The Assemblies listen to community issues to inform future work, develop local priorities and set the local course of action.
- Most meetings are held in public, using the public interest criteria in the Access to Information Rules. The status of sub-committees and working parties is critically reviewed to ensure that public access is given wherever appropriate.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements

- The Council is involved in a wide range of partnership arrangements involving joint and external funding. The Council's significant partnerships have been determined by Corporate Management Team and their governance arrangements and values have been documented in protocols or formal joint agreements. Further work on a formal definition for the Council's 'significant partnerships' will continue.
- During the year Local Area Agreements were abolished and Regional Development Agencies were replaced by Local Enterprise Partnership (LEPs). The Authority has sought to transform the nature and the role of the Local Strategic Partnerships (LSPs) with a desired intention to move away from 'thematic partnerships' towards developing Local Area

Appendix A

Partnerships (LAPs). There is still a need for oversight of any statutory thematic partnership e.g. Children's Safeguarding Board.

- The Partnership for Action Cheshire East (PACE) Board has agreed the Council's Sustainable Community Strategy as the partnership's business plan.

Review of effectiveness

Cheshire East Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

Council/Constitution

- The Council has formally adopted a Constitution that sets out details of how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution Committee, in consultation with other appropriate Members, the Monitoring Officer and Section 151 Officer, monitor and review the Constitution to make sure that its aims and principles are given full effect. Changes to the Constitution are approved by the full Council after consideration of the proposal by the Constitution Committee.
- All Councillors meet together a number of times each year as the Full Council. Together, they set the Council's major plans, policies, strategies and the budget. They take decisions together where required by law, or where the Council decides that collective decisions should be taken.

Cabinet/Other Committees

- The Council has appointed a Cabinet and a number of committees to make decisions. Many of the Council's decisions are made by the Council's Cabinet, Cabinet committees, or officers acting on its behalf. Other decisions, such as planning and licensing decisions, have to be made by committees of the Council, or officers acting on their behalf. The decision making framework has been developed in accordance with the requirements of the law.

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- The Cabinet meets formally at least once per month, to deal collectively with the high level operational and more strategic business, including key decisions of the Authority. Additionally, the Cabinet has adopted a scheme of delegation to the individual Cabinet Members, so that they are able to take decisions as appropriate within their portfolio responsibility.

Scrutiny Committees

- The Council has now appointed six (five operated during 2010/11) Scrutiny and Overview Committees. The role of the Committees includes not just 'holding the Cabinet to account' but also carrying out advisory work on policy development (the 'Overview' function). Each of these Scrutiny Committees meets a minimum of six times during the year. Additional meetings may be required, to deal with unplanned business such as the "call in" of particular Cabinet decisions, ad hoc requests by the Cabinet to undertake policy development work, and specific proposals identified by non Executive Members. A Scrutiny Toolkit is in place to provide a framework for best practice in overview and scrutiny.

Standards Committee

- The Standards Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring codes of Conduct for Members of the Council (including Co-opted Members and other persons acting in a similar capacity) and for employees in accordance with best practice and Government guidance. The Standards Committee has formed three Sub-Committees to deal with the initial assessment of any complaints raised against Members; review of decisions whether or not to investigate; and to conduct hearings.
- The Standards Committee Annual Report 2010-11 revealed five instances where complaints had been received concerning serving or former Councillors. An additional complaint that fell within the Municipal Year 2009-10 was also reported on, as it had not been included in the previous Annual Report.
- In the 2009-10 case, the Assessment Sub-Committee resolved that action other than an investigation was appropriate. This was carried out by the Monitoring Officer and the outcome reported to the Sub-Committee.
- Two of the five 2010-11 cases were referred to the Monitoring Officer for investigation and in both cases, the Hearings Sub-Committee agreed with the Investigating Officer's findings. In one of these cases, the Subject Member, a Cheshire East Councillor may have breached the Code of Conduct and a full Hearing is to be held; in the other, which related to a Parish Councillor, there had been no breach.

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- In the third of the 2010-11 cases, the Assessment Committee considered a complaint made against seven serving Cheshire East Councillors. The Sub-Committee concluded that there was no breach and no further action was justified. The complainant was not satisfied and the matter was referred to the Review Sub-Committee, which concluded that no further action was justified.
- In the fourth case, the Assessment Sub-Committee considered a complaint against a serving Cheshire East Councillor and concluded that action other than investigation was appropriate. This was carried out by the Monitoring Officer.
- In the final case, the Assessment Sub-Committee concluded that the Subject Member may have breached the Code of Conduct and referred the matter to Standards for England. The Ethical Standards Officer for England investigated and held that there was no breach.

Corporate/Management Assurance

- The Council's Corporate Management Team provides strategic advice to the Council and co-ordinates the Council's activities to ensure high standards of performance.
- Councillors are supported by the Council's employees (officers) who provide advice, implement decisions and manage the day to day delivery of services. Some officers have specific duties to ensure that the Council acts within the law, and uses resources wisely. These are the Monitoring Officer and Section 151 Officer.
- Formal assurance with regard to the governance framework is provided by Directors, Heads of Service and Service Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements. Furthermore, designated officers complete Annual Governance Statement self-assessments in order to determine the extent to which the Council complies with the principles of good governance contained within its local code.

Internal Audit

- The Council's Internal Audit & Compliance section produce and deliver against a risk-based Annual Plan, approved by the Audit and Governance Committee, in accordance with the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006'. The Head of Internal Audit & Compliance reports progress against the Plan and the section's individual performance targets to the Audit and Governance

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Committee throughout the year. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to ensure continuous improvement of the system is in place.

External Audit/Inspection

- The Council's External Auditors (The Audit Commission), annually reviews the financial aspects of corporate governance, including the work of Internal Audit. In carrying out this work the Commission seeks assurance that the systems of financial control are in place and operating effectively. This includes a review of the Council's key financial systems in order to establish that they operate soundly and that there are no fundamental breakdowns in controls that would result in material discrepancies.
- Further assurance is provided by External Auditors and other review/inspection bodies such as the Health & Safety Executive, the Audit Commission, Office for Standards in Education (OFSTED) and the Care Quality Commission.

Audit and Governance Committee

- The Audit and Governance Committee plays a key role in the review of the effectiveness of the governance framework by seeking assurance on the adequacy of the Council's risk management, control and governance arrangements and monitoring the AGS action plan. During 2010-2011, the Chair of the Committee and the Head of Policy and Performance assessed the effectiveness of the system of internal audit using the following checklists:
 - compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
 - self-assessment - measuring the Effectiveness of the Audit Committee. This was reported to and agreed by the Audit and Governance Committee.
- Work on the governance statement is co-ordinated by the Corporate Governance Group, which reports its findings to the Audit and Governance Committee following consideration by the Corporate Management Team. The Audit and Governance Committee critically review the AGS and its supporting documentation and, in considering whether to approve the Statement, seeks to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made.

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- The Audit and Governance Committee approves the Statement of Accounts and the AGS based on the adequacy of assurance provided by Management.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

As a result of the review of effectiveness process described above, the Council's Governance Framework is considered adequate. There are a number of issues that require action and development. These are listed below:

- Responding to the new policy agenda freedoms since the reduction in the inspection regime and national performance reporting regimes
- Financial Management
- Review of Constitution

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. A detailed Action Plan is included as Appendix 1. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leading Member & Chief Executive on behalf of Cheshire East Council

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SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN 2010/11

No.	Area	Action	Responsibility	Target date
1	Responding to the new policy agenda freedoms since the reduction in the inspection regime and national performance reporting regimes			
	During 2010/11, the new coalition Government has set in place plans to reform local government audit, inspection and monitoring arrangements, including the abolition of the Audit Commission, the Comprehensive Area Assessment and Local Area Agreements. The challenge for Cheshire East is how to respond to the greater freedoms to report and monitor performance.	Put in place robust business planning process including full policy context to ensure that submission for service deliver are made within an overall policy framework.	Head of Policy & Performance/Director Of Finance and Business Services(Cabinet and CMT to provide input)	Sept 2011
		Put in place a framework for producing policy briefings, reviewing parliamentary business, communicating with MPs and interpreting/influencing national policy.	Head of Policy & Performance	October 2011
		Use the service planning process, cabinet/CMT away days and the business planning cycle to set performance indicators and outcomes and provide a performance management service to capture the key date and issues to provide cabinet, CMT, all members with information on performance outcomes and appropriate intervention	Head of Policy & Performance	August 2011
		Generate action plans, intelligence and information to support the implementation of the key new acts of parliament.	Head of Policy & Performance	On going (and specific to each key act)
2	Financial Management			
	There are a number of areas e.g. Adult Social Care, ICT Shared Service where significant	Building on progress during 2010/11, a range of actions have been put in place to address budget pressures in the specific areas highlighted, as well as	Director Of Finance and Business Services/CMT	On going

SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN 2010/11

No.	Area	Action	Responsibility	Target date
	overspends were identified. These were managed and the challenge going forward is to further enhance the process to ensure mitigating actions are in place as soon as possible.	<p>improving general standards of financial and out-turn management.</p> <p>Adult Social Care</p> <ul style="list-style-type: none"> ▪ Detailed activity and trend analysis has been used to re-baseline the budget, with a significant increase in resources approved as part of the 2011/12 budget. ▪ Activity based costing introduced to support future budget monitoring and projection of care costs. ▪ Dedicated financial support to Local Independent Living Teams. ▪ Adults Financials Programme initiated to rationalise and simplify financial aspects of care management, including payment and collection of client contributions. <p>ICT</p> <ul style="list-style-type: none"> ▪ Zero-base budget exercise in hand to inform targeted programme of cost reduction. ▪ Improved working arrangements between the Shared Service and client councils, based on open-book accounting. ▪ Improved time recording to support cost allocation and charging. ▪ Additional dedicated financial support ▪ Improved performance management framework. 		

SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN 2010/11

No.	Area	Action	Responsibility	Target date
		General <ul style="list-style-type: none"> ▪ Monthly performance reports introduced to provide more regular briefing for CMT/Cabinet on emerging out-turn issues as well as progress in delivering key savings proposals and service improvements. ▪ Improvements to financial compliance, reporting and guidance being taken forward as part of the corporate Business Management Review programme. ▪ On-going impact of 2010/11 out-turn being analysed to assess implications for forward planning, including the need to find permanent savings where temporary mitigation has been used to balance 2010/11 position. 		
3	Review of Constitution			
	This is a key improvement in governance arrangements to ensure clear allocation of responsibilities, effective decision making and modern procurement practices.	<p>The Constitution Committee continues to review the Council's Constitution on an ongoing basis. The committee's work plan sets out that the following areas will be reviewed this civic year.</p> <ul style="list-style-type: none"> • Executive and Cabinet Procedure Rules • Contract Procedure Rules • Terms of Reference for Overview and Scrutiny committees • Scrutiny Procedure Rules • Staff Employment Procedure Rules 	Borough Solicitor and Monitoring Officer	April 2012

SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN 2010/11

No.	Area	Action	Responsibility	Target date
		<ul style="list-style-type: none"> • Scheme of Delegation • Urgency Provisions • Policy and Budget Framework • Size and Layout of the Constitution • Finance Procedure Rules 		

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 29th September 2011
Report of: Head of Internal Audit
Title: Internal Audit Plan 2011/12 and Update Report
Portfolio Holder: Councillor Michael Jones (Resources)

1.0 Report Summary

- 1.1 The purpose of the report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2011/12, revisions to the plan and to summarise work during the first quarter of 2011/12.

2.0 Recommendation

- 2.1 That the Committee note the issues identified, endorse the approach to achieving adequate audit coverage in the remainder of 2011/12 and discuss future audit issues and ways of working as appropriate.

3.0 Reasons for Recommendation

- 3.1 This interim report addresses emerging issues in respect of the whole range of areas to be covered in the annual report.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications

- 7.1 The internal audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The budget for the internal audit function currently provides for sufficient staffing levels to fulfil this function.

8.0 Legal Implications

- 8.1 The requirement for an internal audit function is either explicit or implied in legislation with s151 of the Local Government Act 1972 requiring Councils to “make arrangements for the proper administration of their financial affairs” and the Accounts and Audit Regulations 2011 requiring a relevant body to “undertake an adequate and effective internal audit ...”

9.0 Risk Assessment

- 9.1 The Authority is required to maintain an adequate and effective system of internal audit in accordance with Regulation 6 of the Accounts and Audit Regulations 2011. Failure to consider the effectiveness of its system of internal audit, and the opinion on Council’s control environment, could result in non- compliance with the requirements of the Regulations.

10.0 Background and Options

- 10.1 The Code of Practice for Internal Audit in Local Government in the United Kingdom states that, “in addition to the annual report”, the Head of Internal Audit “should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report”.
- 10.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council’s objectives.

11.0 Access to information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Lisa Quinn

Designation: Director of Finance and Business Services

Tel No: 01270 686628

Email: lisa.quinn@cheshireeast.gov.uk

Internal Audit Plan 2011/12 and Update Report

Report to Audit and Governance Committee
Internal Audit Plan 2011/12 and Update Report
29 September 2011

1.0 Background

- 1.1 The purpose of the report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2011/12, revisions to the plan and to summarise work during the first quarter of 2011/12.
- 1.2 This information is provided to the Committee in order that Members may discharge the following duties:
- reviewing internal audit performance.
 - monitoring and reviewing the main issues arising and actions taken on audit recommendations.
- 1.3 The inclusion or comment on any area or function in this report does not indicate that matters are being escalated to Members for further action. Members' interest in internal audit should be restricted to gaining an assurance that the organisation's system of internal control is adequate and that where audit does not consider this to be the case that action is taken to ensure that any shortcomings are rectified promptly. Internal Audit routinely follow-up recommendations and will bring to the attention of the Committee any significant weaknesses that have not been addressed by Management.

2.0 Internal Audit Plan 2011/12

- 2.1 The Internal Audit Plan for 2011/12 was approved by the Audit and Governance Committee on 29 March 2011 and was developed using the following split:

Supporting Corporate Governance (4%)	This includes work on the Local Code of Corporate Governance and the Annual Governance Statement.
Fundamental Financial Systems (including Shared Services) (14%)	Core system 'key control' work on systems such as: Payroll, Debtors, Creditors, Cash Receipting, Treasury Management, Housing Benefits, Council Tax, National Non-Domestic Rates (NNDR). This is assurance work that External Audit can place reliance on and the extent of the work is agreed with them.
Key Service and Departmental Systems (35%)	Departmental and service risk audits. Adults e.g. Supported Living Networks, Pooled Budget, Empower Cards, Health & Wellbeing establishments. Children & Families e.g. Direct Payments, Foster Payments, Early Education Entitlement. Places e.g. Residual Waste Treatment (PFI), Development Control, Transport Contracts, Tatton Park. Performance & Capacity e.g. ICT Assets, ICT Commissioning, Procurement.

Internal Audit Plan 2011/12 and Update Report

Fundamental Corporate Areas (9%)	Assurance work on Strategic Risks and associated mitigating controls as well as other cross cutting areas. E.g. Strategic Risks (Service Planning, Information & Business Intelligence etc.) and Other Cross Cutting (Risk Management, Performance Management etc.).
Partnerships (6%)	Assurance work on Strategic Risks involving Partnerships and associated mitigating controls. E.g. Strategic Risks (Health, Community Safety etc.)
Counter Fraud and Probity (15%)	Response to notifications under the anti-fraud and corruption policy informing opinion on the internal control environment. Pro- active work based on risk assessment including promotion of relevant policies and assessment of key controls. Includes administration of National Fraud Initiative (NFI), Staff Vetting, Contract Award etc.
Consultancy and Advice (9%)	Where resources and skills exist, may contribute to the opinion that Internal Audit provides on the control environment.

The remaining audit time (8%) was allocated to contingency and follow up work.

3.0 Progress against 2011/12 Plan**Supporting Corporate Governance**

- 3.1 During the period, Internal Audit has assisted Management in the production of the Council's Annual Governance Statement (AGS), which will be presented for approval at this Committee. Training sessions covering the AGS have been given to Committee members in advance of the meeting.

Fundamental Financial Systems

- 3.2 During the quarter, work was carried out and concluded on a number of the Council's fundamental financial systems in order to gain assurance that the systems of financial control are in place and operating effectively. The fundamental systems, and key controls operating within those systems, have been agreed with External Audit in order that they may rely on the work of internal audit. Areas subject to audit included:

- Payroll
- Accounts Payable
- Accounts Receivable
- General Ledger
- Cash Receipting
- Treasury Management
- Council Tax
- National Non Domestic Rates (NNDR)

Internal Audit Plan 2011/12 and Update Report

- 3.3 Testing on the key controls within the above systems has been completed with results proving satisfactory. The detailed testing results have been shared with External Audit.
- 3.4 In addition to the systems covered in 3.2, Internal Audit also carried out work on 'extended testing of key controls' over a number of systems. This work covered the 2010/11 financial year and had been agreed with External Audit to support their assurance work on the financial statements. The work covered systems including Schools Finance, PARIS, CRRIS, Supporting People and Asset Management. The work was completed and reported back to External Audit in June 2011.
- 3.5 Internal audit work on Payroll, Accounts Payable and Accounts Receivable was in conjunction with Cheshire West and Chester (CWaC)'s Internal Audit team, in accordance with the agreed Internal Audit Protocol between the two Councils. Reports on the Shared Service element of these three key systems were produced by CWaC Internal Audit. The Audit Opinion for each was classed as '3' on a scale of 1 to 4 where 4 is best. All recommendations have been agreed by management and will be subject to CWaC Internal Audit's follow up procedures and reported back to Cheshire East.
- 3.6 Where there were Cheshire East specific findings and recommendations within the Payroll, Accounts Payable and Accounts Receivable audits, these have been reported to Cheshire East management and recommendations have been agreed or are awaiting agreement.
- 3.7 A 2011-12 Shared Services Internal Audit Plan, prepared jointly by Cheshire East and Cheshire West and Chester Internal Audit was agreed by the Shared Services Joint Officer Board in March 2011. This covers HR & Finance Shared Services systems.
- 3.8 The review of General Ledger during the quarter concluded that significant progress had been made, in correcting unidentified balances, since the previous audit visit. Recommendations were made, mainly involving the tightening of controls around journals, write-off of balances and general documentation of reconciliations, and have been accepted by management.
- 3.9 A review of Cash Receipting was commenced during the period and the draft report recently produced.
- 3.10 An audit of Treasury Management was undertaken during the quarter. A small number of recommendations were made, primarily around updating policy and procedure. These have been accepted by management.
- 3.11 New systems for Housing Benefits, Council Tax and NNDR were introduced in December 2010. The legacy system audit reviews for Council Tax and NNDR were completed during the period under review and all recommendations agreed by management. Reviews of the new Housing Benefits, Council Tax and NNDR systems have now taken place and draft reports will be issued shortly.

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- 3.12 During early May, Cheshire East Council's Housing Benefit payment run was delayed by several days. The Director of Finance & Business Services requested Internal Audit to carry out an immediate Lessons Learned Review. Findings were reported back to Corporate Management Team and appropriate actions have been taken or are in progress.

Key Service and Departmental Systems**Adult, Community, Health & Wellbeing**

- 3.13 Follow ups have been carried out in order to determine progress made against the implementation of actions agreed with management following the series of Establishment audits that were reported to members in January 2011. It is pleasing to report that of the 60 agreed actions, 54 have been implemented with the remaining 6 having revised timescales agreed with managers. It should be noted that there have been a number of managerial changes in the centres that have outstanding actions and that this has impacted upon their implementation.
- 3.14 Work has commenced on an audit of the ALD Pooled Budget and any significant findings will be reported at a future meeting upon completion of this piece of work.
- 3.15 Internal Audit continues to be an active member of the Adults Financials Project Group and also provides input to the regular workstream meetings in order to ensure that processes being developed are robust and effectively manage risk. Following concerns raised within the group, the governance and project management across the Adults Financials Programme have been improved significantly during Quarter 1 by the appointment of a Project Manager and the introduction of formal project management documentation that clearly links individual workstreams to the Steering Group. This has also facilitated the production of a Risk Log and detailed Action Plans with responsibility clearly allocated to individuals and regular updates provided to the weekly meetings.
- 3.16 The main focus of the programme is, currently, the further development of the Empower solution for Direct Payments and the redesign of the processes for managing Appointeeships for vulnerable adults who do not have the required capacity to safely manage their own finances.
- 3.17 With regards to Empower, issues currently being dealt with are around the assessment of client need and subsequent calculation of the level of direct payment and the wording of the formal contract between the Council and the person in receipt of social care funding. Internal Audit and Legal Services are providing advice and guidance in addressing these matters.
- 3.18 The formalisation of the Appointeeship workstream has facilitated an exercise to fully document the current process which identified a number of areas whereby the proposed preloaded card solution was not fit for purpose. As a

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result of this, further work is being carried out with the developer to ensure that the solution provided meets the needs of CEC and is compliant with relevant legislation and audit requirements.

- 3.19 Following the recent departure of the Director of Adults, Community, Health and Wellbeing, a meeting has been held with the new Strategic Director Children, Families and Adults to discuss Adult Services. The Director is currently reviewing and considering the strategic direction of Adult Services and taking stock of progress against existing targets and priorities. Reporting structures are also subject to review and an exercise has begun to map all current projects, initiatives and workstreams with a view to bringing them all under a single umbrella. The Director also acknowledged the recent improvements in project management of the Adult Financials Programme and stated that longer term arrangements were being explored to ensure that robust project management is available through the life of these projects.
- 3.20 The Client Finance Team within Adult Services have continued to make progress in clearing the backlog of direct payment audits with the latest figures showing that around £330k has been collected since January 2011. This has been progressed by the recruitment of temporary resource which has enabled a small team to be established with the remit of carrying out these reviews. The performance of this team is subject to regular management review in the form of weekly performance reports in order to facilitate the timely identification of any problems that may arise.
- 3.21 The planned follow up review by Internal Audit has not yet been carried out due to conflicting demands but regular contact is made with the team manager and the team raise queries with their audit contact where they arise and this area is no longer deemed to be a significant concern.
- 3.22 Audits of two Leisure Centres have been completed and final reports issued to the managers. There are no significant issues to report although a number of actions were raised at each centre to address operational weaknesses.
- 3.23 The previous report in June 2011 made members aware of some concerns around the management of fines and stock losses in Libraries and that it appeared that actions raised in an audit report from 2006 had not been fully implemented. This piece of work has now been completed and has confirmed the concerns about the implementation of previous actions. A final report and action plan has now been agreed with senior management to ensure that processes for the management and recovery of stock are implemented and applied consistently across the service.

Children & Families

- 3.24 The Department of Education launched its replacement for FMSiS during July 2011. This is known as the Schools Financial Value Standard (SFVS) and takes the form of a self assessment tool that must be completed by Governing Bodies and submitted to the LA on an annual basis. Details of the new standard are being communicated to schools via the first Schools Bulletin of

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the new term and assistance in completing the self assessment will be included in the Schools Business Support Agreement as a service that can be bought back from the Council.

- 3.25 As all of the schools in Cheshire East had successfully achieved the FMSiS prior to March 2010, they are not required to produce their first SFVS statement until 31 March 2013.
- 3.26 Internal Audit will need to develop a means of gaining assurance that schools are effectively managing their financial affairs and are looking to utilise work carried out by Finance colleagues and the results of the self assessments to inform future programmes of work. This will be progressed over the coming weeks in conjunction with Finance colleagues.
- 3.27 As previously reported, a piece of work has been carried out to identify the processes and procedures that need to be developed to enable Children's Services to take over responsibility for the management and administration of Direct Payments paid to the parents/carers of disabled children. A report and action plan was presented to Children's Senior Management Team and the recommended actions were agreed and responsibility allocated for their implementation. Due to the timing of the recent Ofsted inspection it was agreed that progress against the action plan would be reviewed during the second quarter of the year and as such, any issues will be reported to a future Committee.
- 3.28 As previously reported, a review of the failure of a nursery provider was carried out towards the end of 2010/11. The aim of this review was to determine the level of risk that a similar situation could happen elsewhere.
- 3.29 The review ascertained that none of the other nursery settings across the borough are funded in the same way as the failed provider and that therefore the risk of this situation being repeated is minimal.
- 3.30 The report also identified that a review of partnering guidance should be carried out and that statutory services provided on either a partnering or contractual basis should be identified and subject to a risk assessment. Internal Audit is planning to carry out a follow up of these actions quarter 3.
- 3.31 An audit of the processes for the management and administration of the Free Early Education Entitlement (FEEE), as recommended in the above report, has been carried out and a draft report is in the process of being completed prior to the agreement of recommended actions with managers.

Places

- 3.32 A review of systems and procedures operating in the Car Parking Service commenced during the quarter the results of which have recently been reported to management. Recommendations were made with regard to write offs, cash collection contracts and the control of car park permits.

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- 3.33 An audit of Section 106 monies was carried out during the period and has been recently reported to management. The authority has appointed a Section 106 Officer since an interim audit report in February 2011. The officer is taking steps to improve procedure/updating records and the recommendations from the review were focussed on improving policy and procedure in this area.
- 3.34 A review of Financial Assistance for repairs, improvements and adaptations has recently been reported to management. A number of recommendations were made mainly around policy, the scheme of delegation and consistent application of operational procedures.
- 3.35 An audit review of Tatton Park was commenced at the end of the quarter. The objective of the review was to identify and evaluate the efficiency and effectiveness of control of income, giving particular regard to changes that may realise greater economy and efficiency without diminishing control. Findings of the review will be reported shortly to management.
- 3.36 During the period, an audit began of the arrangements in place for the collection of waste from Council premises in the former Crewe and Nantwich Borough Council area, and the process that was followed in procuring this service prior to its commencement on 1 April 2011. The findings of the review are subject to a separate report to the Audit and Governance Committee.

Performance & Capacity

- 3.37 As described in 3.7, the 2011-12 Shared Services Internal Audit Plan, prepared jointly by Cheshire East and Cheshire West and Chester Internal Audit, was agreed by the Shared Services Joint Officer Board in March 2011. This covers the ICT Shared Services and East/West systems.
- 3.38 A number of ICT Shared Service audits are due to commence in the third quarter of 2011-12 e.g. ICT Asset Management. These will be resourced jointly between the two Authorities with a view to producing one Terms of Reference and report to cover both Shared Services and the two Authorities.
- 3.39 A review of Oracle system access across staff within the Policy and Performance department was undertaken to ensure that accesses were appropriate to business requirements. A number of changes have subsequently been made to reflect changes in responsibilities, particularly where staff have changed roles within the authority.

Fundamental Corporate Areas

- 3.40 This area covers Strategic Risks, as included in the Council's Strategic Risk Register. A standard approach to audit each Strategic Risk is currently being developed and work will be focussed in this area in the third and fourth quarter of the year.
- 3.41 Work on a review of Performance Management continued during the quarter. This is focussed on three main areas: a follow up to the National Indicator

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review that Internal Audit carried out in 2009/10, a review of the new Performance Management system and a review of Data Quality.

Partnerships

- 3.42 This area covers Partnership-specific Strategic Risks, as included in the Council's Strategic Risk Register. A standard approach to audit each Strategic Risk is currently being developed and work will be focussed in this area in the third and fourth quarter of the year.
- 3.43 A review of governance arrangements with respect to partnerships was carried out as part of the overall assurance work supporting the Annual Governance Statement.

Counter Fraud and Probity

- 3.44 The revised Whistleblowing Policy that was presented to and endorsed by the Audit and Governance Committee in June 2011 was passed to the Constitution Committee where members requested a number of revisions prior to it being approved and adopted by Council on 21 July 2011.
- 3.45 Work has continued in investigating National Fraud Initiative matches with a total of 1725 completed and 241 in progress.

Responsive – Investigations

- 3.46 During the quarter Internal Audit were asked to support a number of investigations into suspected financial irregularities. These are currently still on-going.
- 3.47 Internal Audit will continue to work with management to ensure that appropriate consideration is given to rectifying specific control weaknesses highlighted in respect of these cases.
- 3.48 A small number of whistleblowing reports were received during quarter 1 and whilst Cheshire East was not directly responsible for addressing the issues raised advice was provided with regards to the correct procedures to be applied.

4.0 Performance against Audit Plan 2011/12

- 4.1 During the period, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised of a mix of risk based auditing, regularity, computer audit, investigations and the provision of advice to officers.
- 4.2 During the first quarter, the Section continued to manage the Council's Risk Management and Compliance function and facilitate the development and implementation of the Risk Management and Business Continuity Strategies, Freedom of Information requests and Data Protection work across the

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organisation. As of July 2011, the Internal Audit Service now reports to the Director of Finance & Business Services.

- 4.3 The Section has also provided advice to management as requested. This work contributes to the opinion that Internal Audit provides on the control environment. The main areas where Internal Audit has provided such advice include risks relating to new systems and procedures, application of Finance and Contract Procedure Rules,.
- 4.4 A number of vacancies are still currently held in the Section, including the Internal Audit Manager, which is currently subject to the review of the management structure, tiers 2 to 5. The Internal Audit establishment was reduced to reflect the significant savings required as part of the 2011/12 budget settlement.
- 4.5 Internal Audit has a number of Performance Indicators that are measured and reported on. Four of these are measured quarterly:

Performance Indicator	2011/12 Target	2011/12 Actual 1st Quarter
Percentage of Audits completed to user's satisfaction	100%	95%
Percentage of significant (high and medium) recommendations agreed	100%	100%
Productive Time (of Chargeable Days)	80%	86%
Average number of working days between end of fieldwork to issue of draft report	15 days	22 days

5.0 Internal Audit Reporting

- 5.1 There are two key Internal Audit Reporting developments currently taking place:
- Audit Opinion
 - Audit Reporting Protocol
- 5.2 Following discussion at the last Audit and Governance Committee, it is proposed to introduce an 'Audit Opinion' for each Internal Audit report produced. Currently, each report has an Executive Summary and Conclusion. The Conclusion is based on the findings from the audit and reflects the number and level of recommendations, currently categorised as High, Medium or Low priority.
- 5.3 The introduction of a formal opinion for each audit review will be extremely useful both in interim reporting during the year and also in building up to the overall annual audit opinion, as it will enable a clear summary of the results of audit reviews during and at the end of the year.

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- 5.4 A formal 'Audit Reporting Protocol' is also being developed to set out the end-to-end audit reporting process for an audit review. This will include the following:
- Terms of Reference
 - Audit fieldwork
 - Draft Report
 - Management Response
 - Reminder/escalation process
 - Follow up of recommendations
- 5.5 It is proposed that both the 'Audit Opinion' and 'Audit Reporting Protocol' are subject to member and Corporate Management Team consultation. Both new developments will demonstrate compliance with the Internal Audit Code of Practice.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 29 September 2011
Report of: Strategic Director Places and Organisational Capacity
Title: Risk Management Update Report
Portfolio Holder: Councillor David Brown (Performance and Capacity)

1.0 Report Summary

- 1.1 The Audit and Governance Committee has 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 needs to establish how key risks are identified, evaluated and managed, and the rigour and comprehensiveness of the review process. The purpose of this paper is to provide the Audit and Governance Committee with a summary of the key corporate risks and risk management work undertaken since the last report so that it may undertake this oversight.

2.0 Recommendation

- 2.1 The Audit and Governance Committee is requested to consider and review the update report on risk management which is for information.

3.0 Reasons for Recommendations

- 3.1 In order to form an opinion on the effectiveness of the Council's risk management arrangements, the Audit and Governance Committee needs to establish how key risks are identified, what the key risks are and how they are evaluated, managed and reviewed.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 N/A

6.0 Policy Implications including Carbon Reduction/Health

- 6.1 Risk Management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

7.0 Financial Implications (Authorised by the Borough Treasurer)

7.1 None

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 As well as the need to protect the Council's ability to achieve its strategic aims, and to operate its business, general principles of good governance require that it should also identify risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework, and this report is aimed at addressing that requirement.

9.0 Risk Management

9.1 This report relates to overall risk management; the Audit and Governance Committee should know about the most significant risks facing the Council and be assured that the risk management process is working effectively.

10.0 Background

10.1 It is considered good practice to include an update to Audit and Governance Committee at every meeting on progress against key risks. This monitoring should summarise general direction of travel in order to clearly demonstrate progress being made on specific risk items. If all is well then no discussion may be required; if all is not well then it is easy to identify the issues to pursue. A summary of the Council's Key Corporate Risks is provided below:

Risk Ref	Risk Title	Risk Owner	Strategic Lead	Net Risk Rating	Direction of Travel
KCR1	Service Delivery Prioritisation	Erika Wenzel	Cllr Wesley Fitzgerald	6 Medium	↓
KCR2	Financial Control	Lisa Quinn	Cllr Wesley Fitzgerald	12 High	↔
KCR3	Community Safety	John Nicholson	Cllr Rachel Bailey	4 Low	↓
KCR4	Vulnerable Children	Lorraine Butcher	Cllr Hilda Gaddum	12 High	↔
KCR5	Vulnerable Adults	Lorraine Butcher	Cllr Roland Domleo	12 High	↔
KCR6	Equality Gap	Lorraine Butcher	Cllr R Domleo/Cllr H Gaddum/Cllr D Brown	9 Medium	↔
KCR7	Partnerships	Vivienne Quayle	Cllr David Brown	6 Medium	↔
KCR8	Health Partnerships	Lorraine Butcher	Cllr Roland Domleo	12 High	↔
KCR9	Education	Lorraine Butcher	Cllr Hilda Gaddum	4 Low	↔
KCR10	Workforce	Paul Bradshaw	Cllr Peter Mason	12 High	↑
KCR11	Opportunities	Erika Wenzel	Cllr Wesley Fitzgerald	4 Low	↓
KCR12	Long-Term Planning	Vivienne Quayle	Cllr David Brown	6 Medium	↓
KCR13	Transformation	John Nicholson	Cllr Wesley Fitzgerald	12 High	↔
KCR14	Information, Research Business Intelligence	Vivienne Quayle	Cllr David Brown	12 High	↔
KCR15	Reputation	Vivienne Quayle	Cllr David Brown	12 High	↔
KCR16	External Environment	Erika Wenzel	Cllr Wesley Fitzgerald	12 High	↔
KCR17	Industrial Action	Paul Bradshaw	Cllr Peter Mason	12 High	↔

10.2 Since the previous risk management update report to the Audit and Governance Committee changes have been made to the ratings for the following key corporate risks:

- KCR1 Service Delivery Prioritisation
The overall net risk rating has decreased from 12 high to 6 medium. The likelihood has decreased from a 3 (likely) to a 2 (unlikely) as the Council's service delivery planning and performance management arrangements are now further embedded and, because of this, the impact has also been spread, such that it has reduced from a 4 (critical impact) to a 3 which is a major impact on the corporate objectives.
- KCR11 Opportunities
The overall net risk rating has decreased from 9 medium to 4 low. The likelihood has decreased from a 3 (likely) to a 2 (unlikely) because the Council's business planning, performance management and reporting arrangements are further embedded such that we are more able to recognise and take opportunities. As a result, the impact has also been spread such that it has reduced from a 3 (major impact) to a 2 which is a significant impact on the corporate objectives.
- KCR12 Long-Term Planning
The overall net risk score has decreased from a 9 to a 6 and remains medium risk. Similarly to KCR1 and KCR11 above, the likelihood of the risk occurring has decreased from a 3 (likely) to a 2 (unlikely) because the Council's service delivery planning processes and performance management arrangements are further embedded making it easier to plan for the longer term.

10.3 An emerging risk entitled Industrial Action has also been added to the key corporate risk register as KCR17. This risk is articulated as follows:-

"The risk that due to changes in work and pension terms and conditions, industrial action is taken by key staff, or action has a knock-on effect on the availability of key staff in priority areas, which may affect critical services delivered by the Council, curtail operations and affect the Council's ability to deliver its corporate objectives. This may also have adverse financial and reputational impact on the Council."

10.4 This risk has to be tolerated by the Council and as such has a net risk rating of 12 which is high risk. There are contingency arrangements and business continuity plans in place to mitigate the impact should the risk actually occur.

10.5 The assessment methodology used to score the risks is attached at **Appendix A** to this report for information.

11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer:

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Designation: Head of Performance & Capacity
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Scoring Chart for Risk

APPENDIX A

Scoring chart for IMPACT

	Factor	Score	Effect on Corporate Objectives	Effect on Service/Project	Embarrassment/ Reputation	Personal Safety	Financial Implications
THREATS	Critical	4	Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs.	Service - Major loss of several important areas. Disruption 5+ Days Project - Complete failure or extreme delay (3 months or more)	Adverse and persistent national media coverage Adverse central government response	Death	> £1m Or >£5m for corporate risks
	Major	3	Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.	Service - Complete loss of an important area. Major effect to services in one or more areas for a period of weeks Disruption 3-5 Days Project - Significant impact on project or expected benefits fail/ major delay (2-3 months)	Adverse local publicity of a major and persistent nature Adverse publicity in professional/municipal press arena	Major injury	Between £1m and £500,000
	Significant	2	Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.	Service - Major effect on an important area or adverse effect on one or more areas for a period of weeks Disruption 2-3 Days Project - Adverse effect on project/ significant slippage (3 weeks–2 months)	Adverse local publicity /local public opinion aware	Severe injury	Between £500,000 and £100,000
	Minor	1	Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect.	Service - Brief disruption of important area Significant effect to non-crucial service area Disruption 1Day Project - Minimal impact to project/ slight delay less than 2 weeks	Complaint from individual/small group	Minor injury or discomfort	Less than £100,000
OPPORTUNITIES	Exceptional	4	Result in major increase in ability to achieve one or more strategic objectives	Major improvement to service, generally or across a broad range	Positive national press National award or recognition by national government	Major improvement in health, welfare & safety	Producing more than £50,000
	Significant	3	Impact on some aspects of the achievement of one or more strategic objectives	Major improvement to service or significant improvement to critical service area	Recognition of successful initiative Sustained recognition and support from local press	Significant improvement in health, welfare & safety	Producing up to £50,000

Scoring Chart for Risk

Scoring Chart for **LIKELIHOOD**

APPENDIX A

Factor	Score	THREATS - Description	Indicators	OPPORTUNITIES (Favourable Outcome) - Description	Indicators
Very likely	4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
Likely	3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.
Very unlikely	1	<10% chance of occurrence	Rarely/never before	<10% chance of occurrence	Has happened rarely/never before

Risk Matrix – Likelihood and Impact

Likelihood						THE RISK MATRIX (With Scores)			
Very Likely	4	LOW	MEDIUM	HIGH	HIGH	4	8	12	16
Likely	3	LOW	MEDIUM	MEDIUM	HIGH	3	6	9	12
Unlikely	2	LOW	LOW	MEDIUM	MEDIUM	2	4	6	8
Very Unlikely	1	LOW	LOW	LOW	LOW	1	2	3	4
Impact		Minor 1	Significant 2	Serious 3	Major 4				

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 29th September 2011
Report of: Director of Places and Organisational Capacity
Subject/Title: Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review for the year ended 31st March 2011

1.0 Report Summary

- 1.1 This report provides a summary of the complaints received by Cheshire East Council and also those dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for the period 1st April 2010 to 31st March 2011.

2.0 Recommendation

- 2.1 That having regard to the parameters of the Committee's terms of reference as outlined in this report, the Committee notes this report and makes any further response it considers appropriate.

3.0 Reasons for Recommendations

- 3.1 The LGO received 111 enquires and complaints during the year, 50 of which were forwarded onto the Investigative Team for formal investigation.
- 3.2 The Customer Relations Team received 1,484 corporate complaints during the same time period. Adult Services received 148 and Children's Services received 50. The Council also received 861 compliments and 247 suggestions.

4.0 Wards Affected

- 4.1 All.

5.0 Local Ward Members

- 5.1 All.

6.0 Policy Implications including

- 6.1 Adherence to the Corporate Compliments, Suggestions and Complaints Policy.

7.0 Financial Implications

- 7.1 If maladministration causing injustice is found, Cheshire East Council can be asked to pay compensation to a complainant. A compensation payment is also possible where a matter is settled prior to a formal finding by the Ombudsman.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Committee's terms of reference as set out in the Constitution include the following:
- Ensuring that the Council maintains appropriate links with the Commission for Local Administration in England (Ombudsman)
 - Referring issues, which impinge on staff conduct, performance, terms of employment, training and development to the appropriate and responsible Executive Member and/or Manager
 - Promoting high standards of responsiveness by the Council to its clients and contacts
- 8.2 The Committee's role in considering this report is to determine what, if any, action it should take to further the above aims.

9.0 Risk Management

- 9.1 In addition to other measures within the Council's management structure, the remit of this Committee contributes towards the management of risk in handling complaints, and the promotion of good practice.

10.0 Background and Options

- 10.1 The table below details enquiries submitted to the Local Government Ombudsman's Office over the past two years.

Service	Informally Investigated 2010/11	Formally Investigated 2010/11	Informally Investigated 2009/10	Formally Investigated 2009/10
Adult Services	16	11	9	7
Housing Benefits & Council Tax	11	1	8	2
Corporate & Other Services	8	2	-	-
Education & Children's Services	16	11	13	8
Environmental Services & Public Protection & Regulation	9	3	-	-
Highways & Transport	11	3	14	9
Housing	5	3	3	-
Planning & Development	31	15	17	9
Other	4	1	18	4
Total	111	50	82	39

- 10.2 Of the 50 enquiries which were formally investigated, the Local Government Ombudsman found that, in 95% of the cases, there was no evidence of maladministration or injustice to the complainant.
- 10.3 In 5% of the cases (6), Local Settlements were reached. None of these have been highlighted as a cause for concern.

A Local Settlement is when an authority takes or agrees to take action that the Local Government Ombudsman considers to be a satisfactory response. This can be either or all of the following: a change in procedures, an apology or compensation payment.

- 10.4 The outcome of the remaining formal investigations was as follows:

No Maladministration and no report produced	22
Ombudsman's Discretion (case discontinued)	17
Outside Jurisdiction of Ombudsman to investigate	5

- 10.5 The following table details the total Complaints received by the Council during 2010/11:

Service Area	Number of Complaints Received 10/11
Waste & Recycling North	308
Waste & Recycling South	179
Streetscape & Bereavement	83
Environmental Protection	17
Parking Enforcement	32
Spatial Planning, Building Control & Land Charges	15
Development Management North	83
Development Management South	75
Housing Strategy	20
Strategic Highways & Transportation	23
Regeneration	19
Library Services	44
Cultural Facilities & Events, Arts Heritage	14
Leisure Facilities (inc Development)	82
Green Spaces	40
Customer Services (inc Web Site)	83
Housing Benefit Service	109
Council Tax & Business Rates Service	165
Legal & Democratic Services	30
Other	39
Adults (non-statutory complaints)	9
Children's (non-statutory complaints)	15
Total Corporate Complaints 2010/11	1484
Complaints to Adults Services 2010/11	148
Complaints to Children's Services 10/11	50

There are no accurate comparable figures for the full year 2009/2010. However, comparisons between Quarter 1 2010/11 and Quarter 1 2011/12 show a reduction in complaints received. Adult Services and Children's Services are detailed separately, because they have their own statutory complaint processes and are reported separately to their Senior Management Teams.

Service	Total Stage 1 Complaints Q1 2011/12	Total Stage 1 Complaints Q1 2010/2011
Adult Services	42	27
Children's Services	28	7
All other services	257	468
TOTAL	327	502

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Helen Gough
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 Email: Helen.gough@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 29th September 2011
Report of: Director of Finance and Business Services and Borough Solicitor
Subject/Title: Breach of the Council's Contract Procedure Rules

1.0 Report Summary

- 1.0 This report addresses a breach of Contract Procedure Rules (CPR's) outlining the reasons for the non-compliance and the steps taken to prevent a re-occurrence.

2.0 Recommendation

- 2.1 Members are asked to note the information contained in the report and the actions that are being undertaken by officers in response to the findings.

3.0 Reasons for Recommendations

- 3.1 The Council's Contract Procedure Rules set various value thresholds at points where commensurate competition should be undertaken by officers to ensure that value for money is being achieved and that all tender opportunities are fairly and appropriately advertised to suppliers. The thresholds within CPR's at 1 April 2011 were:

	Total Value	Procedure to follow where no Contract exists
Informal	Below £10,000	E-mail /telephone quotation(s)
	Above £10,000 but below £50,000 for goods, services and works.	Comparison of written quotations from at least 3 bidders
Formal	Above £50,000 but below the EU threshold for goods, services and works.	Formal tender process from at least 3 suppliers.
	Above the EU threshold for goods, services and works.	Tender process in accordance with EU Procurement Rules.

- 3.2 The difference between the formal tendering process for contracts above £50,000 but below the EU threshold and a full tender process in accordance with EU Rules is that the EU Rules have mandatory procedures and mechanisms which the Council must comply with.

- 3.3 Where it becomes apparent that a Service has failed to comply with Council's Contract Procedure Rules, the Chief Officer or designated representative must issue a report outlining the reason for the non compliance and the steps taken to prevent a re-occurrence. The report must be submitted to the Director of Finance and Business Services and the Borough Solicitor before being reported to the Audit and Governance Committee.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None identified.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 Contained within the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Purchase of goods, services and works by the Council as a public sector body is regulated by the Public Contracts Regulations 2006 (the Regulations) which implement into English law the EU procurement regime currently in place throughout the EU. The Regulations only apply to contracts with a value that exceeds the relevant thresholds. The current thresholds that apply to local authorities are as follows:

SUPPLIES (GOODS)	SERVICES	WORKS
£156,442	£156,442	£3,927,260

- 8.2 However, in undertaking any procurement (including those below the EU threshold) a contracting authority must also comply with the following key principles (derived from the Treaty on the Functioning of the European Union (TFEU) and the fundamental freedoms of the EU):

- Proportionality
- Mutual recognition
- Transparency
- Non-discrimination
- Equal treatment

- 8.3 In simple terms, the Council is required to act in a transparent way, treating all potential providers equally and in a non-discriminatory way.

9.0 Risk Management

- 9.1 Breaches of the Council's Contract Procedure Rules expose the Council to the risk of a failure to secure best value in terms of cost, quality and sustainability. Furthermore, as third parties have a right to take court action for financial loss if there is any failure to comply with the principles set out in paragraph 8.2 it is extremely important that:

- the Council complies with Contract Procedure Rules and EU Procurement Rules
- where it becomes apparent that a breach has occurred the risks are understood at a sufficiently senior level and steps are taken to prevent a re-occurrence.

10.0 Background and Options

- 10.1 Internal Audit has carried out a review of the arrangements in place for the collection of waste from Council premises in the former Crewe and Nantwich Borough Council area and the process that was followed in procuring this service prior to its commencement on 1 April 2011.
- 10.2 The review concluded that poor practice has resulted in a procurement process that breaches the Council's Contract Procedure Rules. The reasons for non compliance and the steps taken to prevent a reoccurrence are described below.
- 10.3 Prior to Local Government Reorganisation each of the former district councils operated a trade waste collection service. During 2007/08 a decision was made to cease these operations and as a consequence the services were sold to a private contractor in 2008/09.
- 10.4 Following the expiry of the former District Council contracts for the collection of commercial waste, the successful bidder offered the Councils, and their former customers, new contracts. This resulted in the waste generated at the Macclesfield and Congleton Borough Council properties being collected by the private sector.
- 10.5 Crewe and Nantwich Borough Council, however, continued to collect waste from its own premises following the sale. This practice continued under Cheshire East until 1 April 2011 when, following an exercise to reorganise the domestic waste collection rounds, there was no longer capacity to carry out non domestic collections. Consequently, arrangements for the collection of residual and recyclate waste from 21 Council properties needed to be in place by 1 April 2011.

- 10.6 Whilst the responsibility for making these arrangements and the effectiveness of the handover is subject to some disagreement, Officers have confirmed that discussions were held both prior to and post 1 March 2011 acknowledging the need to take a corporate approach to the procurement of waste collection services to Council buildings. Although the cessation of the service to the 21 properties put the discussions on a much more formal basis, it was not possible to come to an agreement as to who would sponsor this exercise and where the budget for the procurement, and in particular specialist support, would come from.
- 10.7 Furthermore, by the time the discussions became more formal it was acknowledged that the timescales necessary to complete this type of exercise would not have provided a solution for the 21 properties by 1 April 2011. Hence an interim solution was put in place, whereby individual service agreements, in respect of each property, were entered into with the contractor referred to in 10.3. It is estimated that the value of the individual agreements range from £270 p.a. to £10,300 p.a. with a total value of £63,000. Unfortunately, this procurement was not conducted in a manner that is compliant with the Council's Contract Procedure Rules, in particular, the invitation of competitive bids nor is it consistent with the Council's Procurement Strategy and Sustainable Procurement Guidance.
- 10.8 The Committee should note that whilst it has not been possible to ascertain details of who provides waste collection services for all of the remaining Cheshire East properties or under what arrangements these services are delivered, it is generally accepted that the main provider is the company referred to in 10.3 via individual service agreements.
- 10.9 The required actions in response to the findings in the Internal Audit report are as follows:
- A procurement exercise for the disposal of waste at Council premises should be undertaken. This process needs to be commensurate with the scale and nature of the Council's requirements and conducted in a manner compliant with EU directives, the Procurement Strategy, Sustainable Procurement Guidance and Contract Procedure Rules.
 - A report should be presented to Audit & Governance Committee detailing the breach of Contract Procedure Rules and the steps taken to rectify this in line with the Constitution.
 - The Council's Section 151 Officer and Monitoring Officer should consider whether it is appropriate for any further action to be taken in relation to the breach of Contract Procedure Rules.
- 10.10 In response to the required actions in 10.10 above, an appropriate procurement exercise is now underway and this report complies with

the second action. With regard to the third action the S151 Officer and the Monitoring Officer do not propose to take any additional direct action, however, lessons will need to be learnt from this situation and the risk of wider breaches will have to be mitigated. A Procurement improvement plan is already well underway in answer to the areas requiring greater attention as reported in the Annual Governance Statement for 2009/10.

10.11 The following actions are currently underway:

- The development of an effective Procurement delivery model for Cheshire East
- The acceleration of work to fully develop Spend-Pro (AGMA spend and supplier analysis tool), the Contracts Register and the three-year forward plan for Cheshire East
- The development and establishment of an AGMA shared service/collaboration as part of the AGMA Procurement project
- The agreement of new Procurement Strategy principles and the new Procurement delivery model
- The identification of the work that will be undertaken with the Extended Management Team to implement and embed the Procurement delivery model
- The update of the Contract Procedure Rules co-ordinated by the Borough Solicitor and the Director of Finance and Business Services.
- The update of the Council's Procurement Strategy to be effective from 1st April 2012
- The re-launch of the Procurement Board with a new remit based on the agreed Procurement Strategy aims and the need to drive through the delivery model across the Council

10.12 Furthermore, Members are asked to note that the Internal Audit Plan for 2011/12 includes provision for reviewing the Councils procurement arrangements and that this work is due to commence in quarter 3.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting:	29 th September 2011
Report of:	Director of Finance and Business Services
Subject/Title:	Work Plan
Portfolio Holder:	Councillor Michael Jones (Resources)

1.0 Report Summary

- 1.0 To present an updated Work Plan to the Committee for consideration.

2.0 Decision Requested

- 2.1 That the Committee

- (1) consider the Work Plan and determine any required amendments;
- (2) note the changes made to the plan since it was last discussed in June 2011; and
- (3) note that the plan will be periodically brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee has a key role in overseeing and assessing the risk management, control and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to ensure that the Committee fulfils its responsibilities.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change/Health

- 6.1 Not applicable.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 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 (Authorised by the Borough Solicitor)

- 8.1 The Work Plan must take account of the requirements of the Accounts and Audit Regulations 2011.

9.0 Risk Management

- 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

- 9.2 A comprehensive Work Plan is necessary to ensure that the Committee fulfils its responsibilities.

10.0 Background and Options

- 10.1 The functions of the Audit and Governance Committee are set out in Part 3 of the Council's Constitution. The general responsibilities can be summarised as follows:

- Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti- corruption arrangements.
- Seeking assurance that action is being taken on risk related issues identified by auditors and inspectors.
- Being satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Approving (but not directing) Internal Audit's strategy, plan and monitoring performance.

- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.
- Receiving the annual report of the Head of Internal Audit
- Considering the findings of the review of effectiveness of the system of internal audit.
- Considering the reports of external audit and inspection agencies.
- Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Reviewing the financial statements, external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.

More specific responsibilities include:

- developing a Code of Corporate Governance
- approving the Council's Statement of Accounts
- where necessary, 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
- approving the Annual Governance Statement
- seeking assurance that customer complaint arrangements are robust
- reviewing the Council's whistle blowing arrangements
- overseeing the implementation of the Council's anti fraud and corruption policy and strategy.

10.2 A forward looking programme of meetings and agenda items has been attached at Appendix A of this report. The Committee is now asked to consider the contents of the programme and establish any additional agenda items/training/briefing sessions that will enable it to meet its responsibilities. In order to help Members with their deliberations the table below includes areas that, in accordance with the Better Governance Forum, an Audit Committee could include in its work plan in order to gain an understanding of its responsibilities and discharge its duties. The table below indicates where training has already been delivered.

Responsibility	Training/Briefing Sessions to include:
Induction	A briefing session on the Committee's core functions and structure was held in September 2011.
Audit Activity	It is recommended that the Committee is briefed on the roles of the auditors including an understanding of the difference between the internal and external audit functions, their responsibilities and duties, terms of reference and what the Committee can expect of them.

Responsibility	Training/Briefing Sessions to include:
Regulatory Framework	<p>The Regulatory framework within which the Authority works, including contract procedure rules, financial regulations, codes of conduct and behaviour, the complaints process, Freedom of Information, Data Protection and The Regulation of Investigatory Powers Act, is seen as an essential area of understanding for all Members of the Committee. As is the need to be kept up to date with any changes.</p>
Accounts	<p>Some of the more technically complex subjects the Committee will have to address are those relating to the annual accounts.</p> <p>It is essential that Members are able to understand both the structure and content of the accounts to a level that they can question their content and understand the responses. They will need to understand key concepts such as provisions, reserves, bad debts, cash flow and the structure of the balance sheet.</p> <p>It is recommended that Members understand the structure of local government funding and grants and sources of other income.</p> <p>Training was provided in September 2011 on the Statement of Accounts including:</p> <ul style="list-style-type: none"> ➤ Role of the Audit & Governance Committee ➤ Statutory Audit ➤ Changes to the 2010-11 Accounts – International Financial Reporting Standards ➤ Accounting Statements ➤ Reconciliation between management accounts & statutory accounts ➤ Balance Sheet ➤ Reserves & Balances <p>IFRS 2010/11 Local Authority Financial Accounts Closedown including:</p> <ul style="list-style-type: none"> ➤ IFRS Governance Issues ➤ IFRS Accounts – Explaining the Key elements
Corporate Governance & Annual Governance Statement.	<p>The Members should be fully aware of the Authority's structure of corporate governance, their place within that structure and changes to it.</p> <p>The Committee were briefed in September 2011 on</p>

Responsibility	Training/Briefing Sessions to include:
	<p>the Council's AGS process.</p> <p>The Committee needs to be made aware of updates on the AGS.</p>
Value for Money and Efficiency Issues	The Committee should be made aware of the Authority's programme and processes for achieving value for money.
Risk Management	<p>Part of the Committees remit involves taking an overview of risk management arrangements. Members were given training in the basic concepts of risk management, including how the risks are identified, measured, mitigated and how the level of residual risk is decided in November 2010.</p> <p>The Committee will also need to understand the requirements of the Civil Contingencies Act and how the authority manages its own contingency and business recovery plans and how the role of insurance and other risk financing is used in the management of risk.</p>
Fraud Management	The Audit Committee needs to oversee the Management arrangements to counter fraud and corruption including the implementation of the anti fraud and corruption strategy and whistleblowing policies.

10.3 Furthermore, the Committee should note that the following changes have been made to the programme that was discussed in June 2011.

- A report on Local Government Ombudsman complaints and customer complaints is included on the September Agenda to enable Members to be assured that arrangements in place are sufficiently robust
- The Chairman's Annual Report has been included in the unallocated section of the Work Plan
- Business Continuity update – The report has been withdrawn in order to consider the frequency and content of future reports following the Committees request to review specific examples of a business continuity plan

- Breach of Contract Procedure Rules - A report outlining the reasons for non-compliance and the steps taken to prevent a re-occurrence has been included on the September Agenda
- Anti Fraud & Corruption Policy - A final draft of the Anti Fraud and Corruption Policy has been carried forward to the January Agenda. Work on Fraud Risk has, however, continued throughout the quarter. This includes meeting the requirements of the National Fraud Initiative (NFI) and developing the Council's Whistleblowing Policy.
- Annual Governance Statement 2011/12 - The process for the production of 2011/12 AGS is currently under review and will be reported to Members in January 2012

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<u>30 June 2011</u>	
Appointment of Appeals Sub-Committee	The Committee considered proposed interim arrangements for considering appeals through the appointment of an Appeals Sub Committee.
Annual Audit Fees 2011/12	The Audit Commissions letter on the Annual Audit Fee for 2011/12 was received and the proposed work programme, indicative fees and associated budgetary implications noted.
Progress Report – Audit 2010 -11	The Committee noted the report which provided progress against the Audit Commission's 2010 -11 Audit Plan.
Draft Statement of Accounts/Annual Governance Statement (AGS)	The Committee noted the report which provided an update on the process and timetable for the approval of the Statement of Accounts/AGS.
Internal Audit Annual Report	The Committee noted the Internal Audit Annual Report for 10/11.
Risk Management Update Report	The Committee considered the update report on risk management
Risk Management Policy Review	The Committee endorsed an updated Risk Management Policy prior to the policy being submitted to Cabinet for approval.
Business Continuity Update	The actions in place to ensure that the Council is able to deliver key functions in an emergency were noted.
Whistleblowing Policy	The Committee endorsed a revised Whistleblowing Policy prior to approval by full Council on the recommendation of the Constitution Committee.
Anti Fraud & Corruption	The results of a review of the Council's anti fraud arrangements against those prescribed in the CIPFA publication 'Managing the Risk of Fraud Actions to Counter Fraud and Corruption' were noted by the Committee
Work Plan	The Work Plan, including the changes made since the previous meeting and the implications of the Accounts and Audit Regulations 2011 were noted.

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<p><u>29 September 2011</u></p> <p>Annual Governance Report, Auditors' report on Financial Statements and Value for Money conclusion.</p> <p>Statement of Accounts</p> <p>AGS</p> <p>Internal Audit Update</p> <p>Risk Management Update</p>	<p>The Committee will receive the 2010/11 Annual Governance Report produced by the External Auditor.</p> <p>The External Auditors will present a report on the findings, conclusions and recommendations of the audit work undertaken on the financial statements and an assessment of how well the Council manages its resources to deliver Value for Money giving an opinion on whether:</p> <ul style="list-style-type: none"> the accounts presented fairly the financial position of the authority and its expenditure and income for the year in question; and the accounts have been prepared properly in accordance with relevant legislation and applicable accounting standards. <p>The Committee will be asked to approve the final Statement of Accounts for 2010/11 in order to comply with the Accounts and Audit Regulations and increase public confidence in the objectivity and fairness of the Statements</p> <p>The Committee will be asked to approve the AGS the purpose of which is to provide a continuous review of the Council's governance arrangements to give assurance on the effectiveness of the processes and/or to address identified weaknesses</p> <p>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 for 11/12. It enables the Committee to monitor Internal Audit's performance.</p> <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>

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
Customer Complaints	A report on Local Government Ombudsman complaints and customer complaints to enable Members to be assured that arrangements in place are sufficiently robust
Breach of Contract Procedure Rules	A report outlining the reasons for the non-compliance and the steps taken to prevent a re-occurrence
Work Plan	A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
<u>31 January 2012</u>	
Final accounts memorandum	This report provides the Council with the detailed messages from the audit of the 2010/11 main financial statements, with the aim of helping the Council to improve the quality of its financial statements further in future years.
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, 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.
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 2011/12.
AGS Action Plan	The Committee will be asked to note the progress made in implementing the Annual Governance Statement (AGS) action plan for 2010/11. Failure to consider and monitor the AGS action plan could result in agreed improvements to the governance arrangements not being implemented.
Annual Governance Statement 2011/12	The Accounts and Audit Regulations require the production of an Annual Governance Statement. It is good practice to agree the process to establish the statement for 11/12 with Members in advance

<u>Committee</u> <u>Date/Agenda Item</u>	<u>Notes</u>
Freedom of Information and Data Protection	This report provided Members with an update on FOI and DP issues including volumes of requests and trends
Compliance with International Auditing Standards	<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> <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>
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.
Risk Management Update	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.

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
Business Continuity update	The Committee will be made aware of how the authority manages its own contingency and business recovery plans.
Work Plan	A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
<u>27 March 2012</u>	
Grants Report to those charged with Governance	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.
Internal Audit Plan for 2012/13	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.
Audit Committee self assessment	The Committee will be asked to agree the self-assessment – using the CIPFA document “measuring the effectiveness of the Audit Committee”.
Risk Management Update	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.
Business Continuity Update	The Committee will be made aware of how the authority manages its own contingency and business recovery plans.
Regulation of Investigatory Powers Act (RIPA)	To provide assurance that Cheshire East Council is complying with the requirements for covert surveillance under the Regulation of Investigatory Powers Act, 2000, (RIPA).
Anti Fraud & Corruption	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

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
<p>Governance</p> <p>Whistleblowing</p> <p>Work Plan</p>	<p>prescribed by the Strategy are operating effectively.</p> <p>The Council's Management is responsible for the governance arrangements (including the system of internal control). Periodically, Management should assure the 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> <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 Committee that the policy is operating effectively</p> <p>A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.</p>
<p><u>Unallocated</u></p> <p>Annual Report</p> <p>Internal Audit Terms of Reference</p> <p>Internal Audit Strategy</p> <p>Code of Corporate Governance</p>	<p>It should be noted that the following items will be presented to the Committee but have not, as yet, been allocated to a specific agenda.</p> <p>The Chairman's Annual Report for confirmation before submission to full Council</p> <p>The terms of reference for Internal Audit will be amended and put to the Committee for approval following publication of CIPFA's <i>'The Role of the Head of Internal Audit in Local Government'</i></p> <p>A revised Internal Audit Strategy will be put to the Committee for approval, but not direction, following publication of CIPFA's <i>'The Role of the Head of Internal Audit in Local Government'</i></p> <p>It should be noted that the following items may, subject to requirement, be presented to the Committee.</p> <p>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</p>

<u>Committee Date/Agenda Item</u>	<u>Notes</u>
Insurance	<p>changes to it.</p> <p>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.</p>
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	<p>CIPFA's Code of Practice requires that members are tasked with treasury management responsibilities, including scrutiny of the treasury management function.</p>

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