

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 28th June, 2012 at Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

## **PRESENT**

Councillor J Hammond (Chairman)  
Councillor L Brown (Vice-Chairman)

Councillors S Corcoran, R Fletcher, M Hardy, S Hogben, A Kolker, D Marren,  
L Roberts and M J Simon

## **Councillor in attendance**

Councillor K Edwards

## **Officers**

Lisa Quinn, Director of Finance and Business Services  
Chris Mann, Finance Manager  
Joanne Butler, Risk Manager  
Paul Mountford, Democratic Services Officer  
Julie Openshaw, Deputy Monitoring Officer  
Neil Taylor, Internal Audit  
Joanne Wilcox, Corporate Finance Lead

## **Audit Commission**

Judith Tench

Before proceeding with the business of the meeting, the Chairman referred to an email he had received from a Mr A Lloyd-Weston relating to Lyme Green which he had copied to other members of the Committee and forwarded to the Strategic Director Children, Families and Adults as the Officer overseeing the review.

## **5 DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There were no members of the public present.

## **7 MINUTES OF PREVIOUS MEETING**

## **RESOLVED**

That the minutes of the meeting of 14<sup>th</sup> June 2012 be approved as a correct record subject to an amendment to include the following additional resolution:

“(13) the Council’s decision-making process needs to be more robust and all matters relating to high risk projects need to be tabled through Scrutiny regardless of whether or not they are taken by delegated decision.”

## **8 AUDIT COMMITTEE UPDATE**

The Committee considered a report on the progress of the Audit Commission in delivering their responsibilities as external auditors.

The report included an update on the externalisation of the Audit Practice and highlighted key emerging national issues and developments.

Judith Tench of the Audit Commission was in attendance and presented the report. She advised that following the review of Lyme Green, there were additional risk assessments that she needed to consider. Whilst these were not material to her audit, there was a need to do some more work around controls. In addition, more work was needed in relation to capital projects. The report would be updated as appropriate and resubmitted to the Chairman for distribution to members of the Committee.

The report highlighted five key considerations for the Committee to consider in respect of the issues highlighted in the briefing paper. The Officers confirmed that the Council had reviewed its prudential indicators in the light of CIPFA's revised prudential code. It had also reviewed CIPFA's guidance notes for the 2011/12 financial statements and made them available to all members of the Finance Team. The implications of the amendments to the capital financing regulations were considered on an ongoing basis. The Council had reviewed the questions included in the Audit Commission's briefing paper on joining up health and social care, and consultants had been commissioned to test the efficiency of the Council's programmes, a report on which would be submitted to the Committee's next meeting.

### **RESOLVED**

That the report, and the updates provided by the officers on the issues highlighted, be noted.

## **9 DRAFT STATEMENT OF ACCOUNTS 2011-12 - APPROVAL PROCESS**

The Committee considered a report on the process and timetable for the approval of the 2011-12 Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2011.

Members were required to consider and approve the accounts before 30<sup>th</sup> September, taking into account the auditors' findings and any consequential adjustments to the draft accounts.

The Officers highlighted a number of issues covered in the explanatory foreword relating to abortive capital expenditure on waste PFI, increased pension liability and a number of schools achieving academy status. The outturn position would be considered fully in the report to Cabinet in July.

The draft Statement of Accounts had been made available to members of the Audit & Governance Committee and the Cabinet from 15<sup>th</sup> June 2012 and would be presented for audit by 29<sup>th</sup> June. The Accounts would be made available on the Cheshire East Website from 30<sup>th</sup> June and the public inspection period would commence on 2<sup>nd</sup> July for a period of 20 working days.

A training/briefing session would be held in early September to address both the structure and content of the accounts together with the Annual Governance Statement (AGS) and the accompanying assurance documents. It was proposed that the training sessions be held on 3<sup>rd</sup> September at Westfields and on 11<sup>th</sup> September at Macclesfield Town Hall.

The approval of the audited accounts and the AGS would take place at the Committee's meeting on 27<sup>th</sup> September 2012.

## **RESOLVED**

That

- (1) the process and timetable for the approval of the 2011-12 Statement of Accounts be noted; and
- (2) Members notify Joanne Wilcox of their preferred training dates.

## **10 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2011/12**

The Committee considered the draft Annual Governance Statement 2011/12.

The final version of the AGS would be submitted to the Committee for approval in September 2012.

The AGS identified a number of governance issues that required action, including the issues and actions arising from Lyme Green. Members commented on the distinction between the good practice referred to in the draft AGS and what had happened in practice with Lyme Green.

Members expressed the wish to see some of the key documentation referred to in the AGS, such as Member job descriptions and reported measures of satisfaction with the Authority. They also commented that the ASPIRE values should be set out in full in the AGS.

Members sought assurances that there were robust schemes of Officer delegation within each Service which set out the decision-making and financial limits on officers at different levels and which could be made available to Members on request. In this respect, Councillor Marren asked for a copy of the delegation scheme for the Places Directorate to be provided the following day, which the officers undertook to provide. The officers also indicated that a comprehensive review of departmental schemes of delegation was underway with a view to reporting back to the Corporate Management Team at the first available opportunity following the agreed deadline of 31<sup>st</sup> July. The Council's main scheme of delegation was being updated to reflect changes to the senior management structure and was to be reviewed by the Constitution Committee as requested by this Committee.

Members suggested that the role of scrutiny in decision-making be referred to the Scrutiny Chairmen's Group for consideration with a view to ensuring a consistent approach. Councillor M Simon agreed to refer the matter to the Group. The Director of Finance and Business Services advised that, where relevant, future reports to scrutiny committees would not only include the financial implications of any proposals but also relevant budget information. Service Managers would be expected to assume full responsibility for their own budget information when advising committees. The Director would be meeting the Scrutiny Chairmen's Group with a view to embedding these principles in future reporting practice.

The Committee would receive progress reports on the action plan at future meetings. Members asked that where an action was referred as 'ongoing', this term be replaced with a specific time frame in each case.

## **RESOLVED**

That

- (1) the draft Annual Governance Statement be amended to reflect the comments of Members;
- (2) a final version of the AGS be submitted to the Committee for approval at its September meeting;
- (3) Members be provided with the revised delegated decision process workflow and templates and other documentation requested; and
- (4) Members be provided with information on what the Corporate Governance Group is doing to improve compliance with the AGS action plan.

## **11 INTERNAL AUDIT ANNUAL REPORT 2011/12**

The Committee considered the Internal Audit Report for 2011/12.

The primary purpose of the report was to provide an opinion on the adequacy and effectiveness of the Council's internal control environment, which included consideration of any significant risk or governance issues and control failures that had been identified.

A number of significant issues had been reported by Internal Audit during the course of 2011/12 and these were being addressed and monitored. There were no outstanding significant control issues identified through the work of Internal Audit that required disclosure in the Council's 2011/12 Annual Governance Statement.

In the opinion of Internal Audit, the Council had established a satisfactory framework of risk management, control and governance. This provided adequate assurance over the Council's control environment, with control weaknesses identified during audits and/or by management addressed or being addressed.

Members commented that the definitions within the action plan should be made more precise and that there should be a clear indication of whether action had been taken within the agreed timetable.

## **RESOLVED**

That

- (1) the contents of the Internal Audit Annual Report for 2011/12 be noted; and
- (2) the action plan be amended to include a performance indicator on whether each action has been taken within the agreed timetable, and further consideration be given to the definitions within the plan.

## **12 ANNUAL REPORT ON RISK MANAGEMENT**

The Committee considered the annual report of the Corporate Risk Management Group.

The report covered the financial year from 1 April 2011 to 31 March 2012 and recorded the work of the Corporate Risk Management Group in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements.

The Risk Management Group had reviewed the Council's Risk Management Policy and an updated version was attached at Appendix A to the report. The report included an overview of the key corporate risks, corresponding risk ratings and direction of travel of risks. A key corporate risk heat map was attached at Appendix B to the report.

The Officers reported that the Cabinet would be reviewing the key corporate risks at a risk workshop on 16<sup>th</sup> July.

The Audit & Governance Committee had requested a short briefing at each meeting from the risk owners/managers of the highest key corporate risks. The Committee received a briefing on Key Corporate Risk 2 – Financial Control from the Director of Finance and Business Services. A copy of the risk stewardship template was circulated at the meeting. With regard to the Council's financial position, the Director commented that reserves were currently at an acceptable level and that, whilst future funding was uncertain, over the longer term reserves were on an upward trend and these would be used strategically to achieve financial sustainability. The Finance Manager referred to the Financial Reporting Centre, a new online financial management tool which was currently being piloted with managers.

It was proposed that there be a contingency plan to deal with the implications of the Lyme Green review. Whilst it was difficult to identify specific risks and eventualities at this stage, it was felt that the Risk Management Group could be asked to consider the matter.

Members also commented that the roles and responsibilities of individuals and groups referred to in the risk management policy should include clear reporting lines.

## **RESOLVED**

That

- (1) the report of the Risk Management Group be noted; the attendance record of members of the Group be circulated to Members of the Committee for information and included in future annual reports;
- (2) the minor changes made to the risk management policy by the Risk Management Group, and the additional changes suggested at the Committee's meeting, including reporting lines for individuals and groups involved with risk management, be approved;
- (3) the Risk Management Group be asked to consider the need for a contingency plan to address the implications of the Lyme Green Review;
- (4) the briefing by the Director of Finance and Business Services on Key Corporate Risk 2 – Financial Control be noted;
- (5) the Key Corporate Risk to be reviewed at the next meeting be Risk 15 – Reputation and the risk holder be requested to attend the meeting; and
- (6) a report on operational risks be submitted to the next meeting.

### 13 WORK PLAN 2012/13

The Committee considered a proposed work plan for 2012/13.

At the Committee's meeting in September 2011, it was agreed that separate Member/Officer groups, to deal with specific areas of audit and governance work, would be set up as a means of developing specialist in-depth knowledge and expertise. The individual groups had now met on several occasions. A list of the groups, their memberships and terms of reference was circulated at the meeting.

Members noted a proposal coming before the next Council meeting that the Committee's terms of reference be amended to include responsibility for the Member Code of Conduct. The Committee would be required to appoint three panels and sub-committees which would meet on an ad hoc basis to consider alleged misconduct and breaches of the Code. The membership of the bodies would be drawn from a pool of 15 members comprising the members of the Audit and Governance Committee and five others.

#### **RESOLVED**

That

- (1) the proposed work plan for 2012/13 be approved subject to the following:
  - (a) the Committee at its September meeting receive a quarterly progress report on Lyme Green;
  - (b) the Committee at its September meeting consider a report on whether contractual regulations are being complied with, including specific examples; and
  - (c) training be provided on the Member Code of Conduct for those Members who will sit on the proposed ad hoc bodies;
- (2) it be noted that the plan will be periodically brought back to the Committee for further development and approval; and
- (3) any changes to the memberships of the specialist Member/Officer groups, and any expressions of interest in joining a group, be notified to the Internal Audit Manager.

The meeting commenced at 2.00 pm and concluded at 4.44 pm

Councillor J Hammond (Chairman)