

Audit and Governance Committee

Agenda

Date: Thursday, 28th June, 2012
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 - 6)

To approve the minutes of the meeting held on 14th June 2012.

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

5. **Audit Committee Update** (Pages 7 - 24)

To consider an update from the Audit Commission on progress in delivering their responsibilities.

6. **Draft Statement of Accounts 2011-12 - Approval Process** (Pages 25 - 28)

To consider an update 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.

7. **Draft Annual Governance Statement (AGS) 2011/12** (Pages 29 - 62)

To consider the draft Annual Governance Statement 2011/12.

8. **Internal Audit Annual Report 2011/12** (Pages 63 - 74)

To provide the Committee with an opinion on the overall adequacy and effectiveness of the Council's control environment for 2011/12.

9. **Annual Report on Risk Management** (Pages 75 - 96)

To consider the annual report of the Corporate Risk Management Group.

10. **Work Plan 2012/13** (Pages 97 - 104)

To consider a proposed Work Plan for 2012/13.

THERE ARE NO PART 2 ITEMS

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 14th June, 2012 at The McIlroy Suite, Macclesfield Town
Football Club, London Road, Macclesfield SK11 7SP

PRESENT

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

Councillors S Corcoran, K Edwards (for Cllr Hogben), R Fletcher, M Hardy,
A Kolker, D Marren, L Roberts and M J Simon

Councillors in attendance

Councillors H Davenport, P Hoyland, J Jackson, M Jones, F Keegan,
R Menlove, B Moran, H Murray, D Neilson, D Newton, P Nurse and P Raynes

Officers

Lorraine Butcher, Strategic Director Children, Families and Adults
Jon Robinson, Internal Audit Manager
Brian Reed, Democratic and Registration Services Manager
Julie Openshaw, Deputy Monitoring Officer
Paul Bradshaw, Head of HR and Organisational Development
Chris Mann, Finance Manager
Paul Mountford, Democratic Services Officer

Audit Commission

Judith Tench
Andrea Castling

Apologies

Councillor S Hogben

49 DECLARATIONS OF INTEREST

There were no declarations of interest.

50 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting of 27th March 2012 be approved as a correct record.

51 PUBLIC SPEAKING TIME/OPEN SESSION

The Chairman welcomed everyone to the special meeting of the Audit and Governance Committee which was being held in the Lyme Green area to demonstrate the Council's commitment to dealing with the matter in an open

and transparent way and to enable local people to attend and address the meeting. All of the papers for consideration by Members had been made available as public documents. Before inviting members of the public to speak, the Chairman emphasised that it was not the role of the Committee to consider the planning merits of the Lyme Green site, nor to consider any disciplinary issues. These matters would be dealt with by other bodies as appropriate. The Committee's role was to consider whether the Council's controls, procedures or policies had been compromised and, if so, what action was required to prevent a recurrence.

Mr Peter Yates addressed the Committee on behalf of the Lyme Green Residents' Group. He commented that the report to be considered by the Committee relating to a waste transfer site at Lyme Green dealt with processes whereas it was the individual officers associated with the scheme who were at fault. He quoted from the report instances where he said that officers took decisions and actions without having regard to the relevant procedures or required authorisations, stating that such actions were taken deliberately in full knowledge that relevant procedural requirements were not being met. On behalf of the Residents' Group, Mr Yates sought assurances that the site at Lyme Green would not be developed as a waste transfer site. He went on to express surprise that no one had raised the matter under the Council's whistle-blowing policy and concluded that officers had been afraid to act.

Mrs Christine Eyre, parish councillor for the Lyme Green ward of Sutton Parish Council and speaking on behalf of the Parish Council, welcomed the content of the Audit Report which she said supported and justified the representations made against perceived inappropriate, possibly illegal, practices associated with the provision of a Waste Transfer Station at Lyme Green Highway Depot. She went on to say that the serious failings by senior officers identified in the Internal Audit report were not system or procedure-orientated but appeared to represent a culture of blatant abuse of office and irresponsibility within Cheshire East Council executed in a deliberate calculated manner to fast track a project. She felt that strengthening administrative systems and procedures would not address the perceived cavalier approach demonstrated by officers. Mrs Eyre went on to say that there were two areas of concern which did not appear to have been addressed within the report, namely, the process by which identification and viability appraisal of alternative sites was undertaken; and the failure of the Planning Department to institute enforcement action when the initial representations were made by Sutton Parish Council. She urged the Committee to make recommendations in this regard. She also urged that any review of staff conduct be undertaken urgently.

The officers were asked to respond to the Parish Council accordingly.

At the conclusion of public speaking time, the Chairman invited visiting Members to address the Committee.

Councillor P Hoyland commented that the Council needed to address the culture which gave rise to such abuses of procedure.

Councillor D Neilson commented that the findings of the review represented a 'monumental failing' of the Cabinet system at Cheshire East Council and that there had been a 'forcing of the issue' all along.

Councillor H Murray commented that the Council's Constitution gave too much power to officers. He also felt that there had been cultural and leadership failings, and he stressed the need for closer links between policy and delivery.

Councillor P Nurse referred to the absence of any reference in the report to the involvement of Cabinet members, making it a partial document.

52 **LYME GREEN**

The Audit and Governance Committee on 31st January 2012 had resolved that:

"a thorough and robust investigation of all issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green be added to the work plan; in particular to identify any governance issues and whether all financial and contractual regulations have been complied with."

At its meeting on 27th March, 2012 the Committee had further resolved that a special meeting be held to consider the outcome of the investigation.

Lorraine Butcher, Strategic Director for Children, Families and Adults, had been appointed in March to complete a review, commissioned by the Chief Executive and Leader, of the Council's proposal to build a waste transfer station at Lyme Green Depot, Macclesfield. The Committee had before it the report of the Strategic Director, together with a detailed Internal Audit report.

The Strategic Director's report began by setting out what had happened, and was supported by detailed timelines and the analysis undertaken by Internal Audit. From the analysis it was evident that a project group had been tasked with providing a new waste transfer site at Lyme Green and that towards the end of 2011, while risks were being identified, and even though the timetable involved was compressed, the development commenced without planning permission. Work ceased following objections and complaints from local residents and the local ward Member. The approved capital budget for the scheme had been £650,000, although the value of the works based on feasibility costs was approximately £1,500,000. As at mid-May 2012, total anticipated spend for the Lyme Green Scheme stood at approximately £810,000.

The Internal Audit report considered management's compliance with established policies, procedures, laws and regulations, particularly with regard to the use of assets and resources entrusted to it. The review had

aimed to establish whether controls, procedures or policies had been compromised and to identify the steps that needed to be taken to prevent a recurrence.

The key findings of the review as set out in the report were that:

1. development work had commenced on the project in advance of the appropriate planning permissions;
2. on the face of the evidence, the Council had not complied with EU procurement Regulations;
3. despite the cost of the project rising significantly above the budget approved by Council, a revised Business Case had never been submitted to the Capital Asset Group and expenditure had been committed without a virement or supplementary capital estimate being approved by Cabinet; and
4. Management had breached Finance and Contract Procedure Rules relating to Managing Expenditure and Capital Monitoring and Amendments to the Capital Programme. Capital expenditure had been approved without fully understanding whether building a Waste Service Transfer Station was the most suitable option, or whether the proposed scheme was viable, affordable and achievable.

The detailed findings and recommended actions arising from the review were set out in Appendix 2 to the Internal Audit report. It was evident that a number of key processes would need to be strengthened and organisational structures reviewed as detailed in the Appendix.

During the course of the debate, a number of Members made reference to the terms of reference for the review and questioned whether they were sufficiently widely drawn. The Strategic Director confirmed that the terms of reference had been drawn up by the Chief Executive and former Leader and were focussed specifically on the actions of management and compliance with Council procedures. Other matters may well arise as a result of any subsequent review of the conduct of officers involved.

Having considered the report, its findings and recommendations, Members agreed a number of additional proposals to the ones identified in the report with a view to increasing the level of Member involvement in decision-making. Members felt that the Council's decision-making processes needed to be more robust and that major capital projects in particular should be tabled through Scrutiny regardless of whether or not they were to be taken by delegated decision. Members also felt strongly that the review of officer conduct should be undertaken immediately.

RESOLVED

That

- (1) the findings and recommendations of the Internal Audit investigation as set out in Appendix 1 to the report, and the agreed Action Plan at Appendix 2 to the report, be noted and endorsed;
- (2) progress reports against the identified actions in the Action Plan be submitted to the Committee on a quarterly basis;
- (3) it be noted that with regard to the Council's planning functions, a further review is recommended to consider whether the current organisational structure compromises the delivery of the Council's often conflicting demands of planning enforcement, service delivery and development;
- (4) the Council, in accordance with its staffing policies, instigate an immediate independent review of the conduct of staff mentioned in the report and consider whether there is a case for appropriate disciplinary or other action to be pursued, the review to include consideration of whether the public or any Members were misled;
- (5) the failings of the Council in dealing with this matter be acknowledged;
- (6) the Council's Contract Procedure Rules and Officer Scheme of Delegation be submitted to the next meeting of the Constitution Committee for further review with a view to increasing the level of Member involvement in decision-making;
- (7) all of the minutes of the Corporate Management Team and the Places Directorate Management Team for 2011 and 2012 be made available to the Leader of the Council and to the person charged with undertaking the review of the conduct of staff mentioned in the report;
- (8) any panel convened to hear any disciplinary hearings that arise from the review of staff conduct be supported by an HR adviser external to the authority;
- (9) it be recognised that the Council should not breach the law, even if adverse consequences are considered unlikely;
- (10) in future, there should be greater Member involvement with the development of major capital projects;
- (11) the Environment and Prosperity Scrutiny Committee be asked to consider the specific issue of the waste strategy for the north of the Borough;
- (12) it be noted that the officers will seek independent advice on the process for drafting the terms of reference for the independent review of officer conduct.

At the conclusion of the Committee's consideration of the matter, the Chairman thanked everyone for attending and declared the meeting closed.

The meeting commenced at 2.00 pm and concluded at 5.53 pm

Councillor J Hammond (Chairman)

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th June 2012
Report of: Director of Finance and Business Services
Subject/Title: Audit Committee Update
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 The report provides the Audit Committee with an update from the Audit Commission on progress in delivering their responsibilities (attached).

2.0 Recommendation

- 2.1 That the Committee receive and comment on the update report.

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications (including carbon reduction and 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 There are no specific legal issues associated with this report.

9.0 Risk Management

- 9.1 There is a risk that the Council will be unaware of key emerging national issues and developments which may be of interest to members if this report is not considered.

10.0 Background and Options

- 10.1 The report provides an update from the Audit Commission on progress in delivering their responsibilities as our external auditors. It includes an update on the externalisation of the Audit Practice.
- 10.2 The report also highlights key emerging national issues and developments which may be of interest to members.
- 10.3 The Audit Commission will be attending the meeting to answer any questions raised by members on this report.

11.0 Access to Information

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

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Audit **Committee** **update**

Cheshire East Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

Introduction	2
Progress report	3
Financial statements	3
VFM conclusion	3
Other areas of work	3
Government response to consultation on the future of local public audit...	4
Update on the externalisation of the Audit Practice	6
Other matters of interest	8
National Fraud Initiative consultation	8
CIPFA's Prudential Code for Capital Finance	8
2011/12 Accounts: CIPFA Guidance Notes for Practitioners	9
Openness and accountability in local pay	9
For information: Board Governance Essentials	10
Joining up health and social care	10
Key considerations	11
Contact details	12

Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Judith Tench

District Auditor

28 June 2012

Progress report

Financial statements

5 I have completed my initial audit risk assessment of your financial statements. Details of my assessment and planned work are set out in my Audit Plan which I presented at the January 2011/12 Audit & Governance Committee. At that time I identified one significant risk in relation to potential financial mis-reporting due to in year financial pressures. I also identified three specific risks around capacity within the finance team, Oracle access controls and collection fund.

6 There are no changes to my initial risk assessment to report to the Committee at this stage.

VFM conclusion

7 My conclusion on the Council's arrangements is based on two criteria, specified by the Commission. These relate to the Council's arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

8 Work is underway reviewing the Council's progress in delivering its core budget and savings proposals, and in realising planned savings and efficiencies from its policy proposals and service transformation plans. I will also be considering the report presented to the Audit & Governance Committee on the Lyme Green project and its implications for my value for money conclusion.

Government response to consultation on the future of local public audit

9 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

10 The Audit Commission recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

11 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

12 The government response provides little detail on the audit arrangements for local health bodies. The Department of Health is working through the implications of Monitor's changing role and the proposed establishment of Clinical Commissioning Groups, and will specify the detailed arrangements for the audit of local health bodies, under the new framework, in due course.

13 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

14 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

15 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

- The Commission has secured very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission published the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board has now confirmed the 'interim' auditor appointments for the first five months of 2012/13.
- The Commission has also written to all audited bodies setting out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each

area, unless there are good reasons that to do so would be inappropriate.

- To support the consultation process, the Commission arranged a series of introductory meetings in each contract area in April and May 2012. The purpose of these meetings was to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

16 The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

17 Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

18 Further details are available on the Commission's website. We will continue to keep you updated on developments.

19 Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Other matters of interest

National Fraud Initiative consultation

20 The Audit Commission recently completed its consultation on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

21 The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

22 The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For Cheshire East Council this is £3,650.

Local government capital finance system

23 In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

24 A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

25 DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

CIPFA's Prudential Code for Capital Finance

26 CIPFA has recently updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required:

- PFI schemes to be included on organisations' balance sheets; and
- The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.

27 Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.

28 To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.

29 The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.

30 The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both are designed to support and record local decision making and are not designed to be comparative performance indicators.

2011/12 Accounts: CIPFA Guidance Notes for Practitioners

31 CIPFA has recently published a set of guidance notes to provide support in preparing the 2011/12 year-end accounts. These offer constructive advice on all aspects of the requirements for 2011/12 and provide detailed guidance on the key changes, including accounting for:

- heritage assets;
- business rate supplements;
- community infrastructure levies;
- related party disclosures;
- exit packages;
- trust funds;
- financial instruments; and
- interests in joint ventures.

32 The key changes to your financial statements in 2011/12 were also covered by our final accounts workshops.

Openness and accountability in local pay

33 On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

34 For each financial year, beginning with 2012/13, the Cheshire East Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

35 The statement must be:

- approved by full Council, or a meeting of members in the case of a Fire and Rescue Authority; and

- published on its website.

For information: Board Governance Essentials

36 The Public Chairs' Forum and CIPFA have recently published a joint 'how to' guide for Chairs and Boards of public bodies.

37 'Board Governance Essentials: A Guide for Chairs and Boards of Public Bodies' offers advice across four key areas.

- Good corporate governance.
- Roles, responsibilities and relationships.
- Standards of behaviour in public life.
- Effective financial management and transparency.

38 This guide may provide interesting reading for all members.

Joining up health and social care

39 On 1 December 2011 the Audit Commission published the second in a series of briefings looking at adult social care.

40 'Joining Up Health and Social Care - Improving Value for Money Across the Interface' shows significant variations in indicators such as the levels of emergency admissions to hospital. This raises questions about how well services are being integrated to meet the preferences of older people. Despite the focus for many years on improving joint working across the NHS and social care, progress remains patchy.

41 At a time when the whole of the public sector must find significant savings, the report says that integrated working offers opportunities for efficiencies and improvements to services. Without it, there is a risk of duplication and 'cost-shunting' - where savings made by one organisation or sector simply create costs for others.

42 The briefing offers guidance to local partnerships, setting out a list of questions to consider and suggestions for interventions that might help. The briefing also includes a number of case studies which show how some areas have embraced partnership working and used local data and benchmarking to establish how and where to make improvements.

43 The Audit Commission has developed a tool to accompany the briefing that allows NHS and social care partnerships to benchmark their performance against others.

Key considerations

44 The Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?
- Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?
- Has the Council considered the implications of the amendments to the capital financing regulations?
- Has the Council reviewed the questions included in the Audit Commission's briefing paper on joining up health and social care?
- Has the Council used the Audit Commission's tool to benchmark the performance of its NHS and social care partnership?

Contact details

45 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor / Engagement Lead or Audit Manager.

46 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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- any director/member or officer in their individual capacity; or
- any third party.



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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th June 2012
Report of: Director of Finance & Business Services
Subject/Title: Draft Statement of Accounts 2011-12 – Approval Process
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 This report updates Members 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.

2.0 Recommendation

- 2.1 That the Committee note the process and timetable for the approval of the 2011-12 Statement of Accounts.

3.0 Reasons for Recommendations

- 3.1 To ensure compliance with the Accounts and Audit Regulations 2011.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications (including carbon reduction and health)

- 6.1 None

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

- 7.1 As covered in the report.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 This report outlines the measures in place to ensure compliance with the statutory requirements and deadlines for the preparation and closure of accounts.

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 (England) Regulations 2011 removed the requirement for the 2011/12 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 must still be signed by the responsible financial officer (Director of Finance & Business Services) by this date.
- 10.2 Members are now required to consider and approve the accounts before 30th September, taking into account the auditors findings and any consequential adjustments to the draft accounts.
- 10.3 The draft Accounts will be presented for audit by the 30th June as a true and fair view of the financial position of the Council for the financial year 2011/12 by the Director of Finance & Business Services.
- 10.4 At the January Committee members received an update on progress against the Final Accounts 2011/12 Action Plan. Following recommendations from the Audit Commission the Council has put arrangements in place to strengthen its quality assurance processes to ensure the draft financial statements are free from errors and inconsistencies.
- 10.5 This is the second year that the accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), therefore the process of completing the 2011/12 accounts has been more straightforward than in previous years allowing improvements in working practices to become embedded.
- 10.6 The draft Statement of Accounts has been made available to members of the Audit & Governance Committee from 15th June 2012 in accordance with the recommendation that members have sight of the accounts before they are presented for audit, in order to involve them in the quality control process.
- 10.7 The draft Statement of Accounts will be made available on the Cheshire East Website from 30th June and the public inspection period will commence on 2nd July for a period of 20 working days.
- 10.8 A training/briefing session will be held in early September that will address both the structure and content of the accounts together with the Annual Governance Statement (AGS) and the accompanying assurance documents. This will allow Members to review the

Statement of Accounts, together with the AGS, during the audit of the accounts and raise any points that may need to be addressed.

- 10.9 The approval of the audited accounts and the AGS will take place at the Audit and Governance Committee on 27th September 2012. An informal briefing session will be arranged immediately prior to the meeting to address any outstanding issues that have arisen as a result of the audit and Member review of the accounts and the AGS.

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: 28th June 2012
Report of: Corporate Governance Group
Title: Draft Annual Governance Statement (AGS) 2011/12
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to consider the draft Annual Governance Statement 2011/12. The final version of the AGS will be brought to the Committee in September 2012.

2.0 Recommendation

- 2.1 That the Committee consider the draft Annual Governance Statement, as attached (Appendix A), and note that the final version will be brought to the Committee for approval in September 2012.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations (2011), the Annual Governance Statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the statement of accounts is approved, i.e. by 30 September 2012.
- 3.2 In the interests of best practice and early engagement, this draft of the Annual Governance Statement is brought to the Committee for information and comment from Members.

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 2012).

8.0 Legal Implications

- 8.1 The production of the AGS is required by the Accounts and Audit Regulations (2011).

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 (2011). 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 There is a strong correlation between effective governance and effective service delivery. 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, supporting the continuous improvement of the Authority. This report and Appendix A are the results of that review.
- 10.3 The AGS has been considered by the Corporate Management Team with the collection of evidence for, and the drafting of the Annual Governance Statement being the responsibility of the Corporate Governance Group.
- 10.4 This year, further refinements to the process and the Statement have been introduced to improve the way the effectiveness of governance processes are reviewed and reflected, and to focus less on being a narrative about the governance framework. Further improvements are planned for the 2012/13 Statement.

- 10.5 Once finalised, the AGS will be published on the Council's website, along with the Statement of Accounts, for members of the public, Members, Officers and other stakeholders to view.
- 10.6 The review of governance arrangements in place for 2011/12 has been informed by the work of Internal Audit and senior managers and also comments made by the External Auditors and other review agencies/inspectionates. The sources of assurance include:
- Assurance statements completed by Heads of Service, reflecting upon the application of governance processes and adequacy of controls within their areas of responsibility,
 - A self assessment against the Council's Code of Corporate Governance, undertaken by the Corporate Governance Group members, in order to demonstrate compliance with the Code.
 - Heads of Service have reviewed the significance of joint working arrangements in their areas of responsibility, and reported on the governance arrangements of those identified as highly significant.
 - Outcomes from external inspectionates and review agencies, including External Audit and Ofsted.
 - Internal Audit, through the annual and interim reports.
 - 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
- 10.7 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 2011/12
 - Interim update reports from Internal Audit
 - Update reports on Risk Management
 - Member Officer group on Corporate Governance and the AGS
- 10.8 A workshop for Members that examines the draft AGS and supporting documentation will take place prior to the September Committee meeting.

- 10.9 Regular updates on progress on the AGS Action Plan will be brought to this Committee during 2012/13.

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
DRAFT Annual Governance Statement 2011/12

Introduction

Cheshire East Council, like all local government bodies, 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. The development of a Code of Corporate Governance, consistent with the principles and requirements of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*' helps to ensure proper arrangements are in place to meet that responsibility. Cheshire East Council adopted a Code of Corporate Governance in 2009 and this is subject to annual review, and update, where necessary.

The Council undertakes an annual review of its governance arrangements to ensure continuing compliance with best practice as set out in the Framework. This Annual Governance Statement (AGS) is that review.

It is important that the AGS is reported on both within the Authority, to the Audit Committee or other appropriate member body, and externally with the published accounts, to provide assurance that:

- governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

The process of preparing the governance statement itself adds value to the corporate governance and internal framework of the Council. Both officer and Member involvement in the drafting process ensures that the document is robust and reflective of the Authority's governance and internal control arrangements for 2011/12.

Contents

Section 1 Cheshire East Council's Governance Framework

- **Scope of responsibility**
- **The purpose of the governance framework**
- **The governance framework**
 - **The Authority/Constitution**
 - **The Cabinet/Other Committees**
 - **Audit & Governance Committee**
 - **Scrutiny Committees**
 - **Standards Committee**
 - **Internal Audit**
 - **External Audit and Inspection**
 - **Chief Financial Officer** (Director of Finance and Business Services)
 - **Monitoring Officer** (Borough Solicitor)
 - **Management Assurance**
 - **Performance Management**

Section 2 Review of effectiveness against the core principles

- | | |
|-------------|---|
| Principle 1 | Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local areas |
| Principle 2 | Members and officers working together to achieve a common purpose with clearly defined functions and roles |
| Principle 3 | Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour |
| Principle 4 | Taking informed and transparent decisions which are subject to effective scrutiny and managing risks |
| Principle 5 | Developing the capacity and capability of members and officers to be effective |
| Principle 6 | Engaging with local people and other stakeholders to ensure robust public accountability |

Section 3 Significant governance issues and Action Plan

Section 1 Cheshire East Council's Governance Framework**Scope of responsibility**

- 1 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.
- 2 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.
- 3 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.
- 4 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

- 5 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.
- 6 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.

The Governance Framework

- 7 The governance framework has been in place at Cheshire East Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.
- 8 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:
 - **The Authority/Constitution**
 - **The Cabinet/Other Committees**
 - **Audit & Governance Committee**
 - **Scrutiny Committees**
 - **Standards Committee**
 - **Internal Audit**
 - **External Audit and Inspection**
 - **Chief Financial Officer**
 - **Monitoring Officer**
 - **Management Assurance**
 - **Performance Management**

The Authority/Constitution

- 9 The Council has formally adopted a [Constitution](#) last updated in April 2012. The Constitution Committee, with other appropriate Members, and senior Officers, monitor and review the Constitution to make sure that its aims and principles are given full effect. Changes to the Constitution are approved by full Council after consideration of the proposal by the Constitution Committee.
- 10 All Councillors meet together a number of times each year as the full [Council](#) to set the Council's major plans, policies, strategies and the budget, take decisions required by law or where the Council decides that collective decisions should be taken.

The Cabinet/Other Committees

- 11 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.
- 12 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.

Audit & Governance Committee

- 13 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 2011/12, the Chair and Vice Chair of the Committee, with the Audit Managers, 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.
- 14 The Corporate Governance Group (CGG) is an officer group chaired by the Section 151 Officer, with membership including the Monitoring Officer and Head of Service representation from Finance, HR and Internal Audit. The group undertakes an on-going review of the Council's governance arrangements and identifies collects and challenges supporting evidence as part of the annual review to feed into the production of the AGS. It reports its findings to the Audit and Governance committee after consideration by the Corporate Management Team. CGG met five times during 2011/12.
- 15 The Audit and Governance Committee critically review the Statement of Accounts, the AGS and the 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.

Scrutiny Committees

- 16 There have been six [Scrutiny and Overview Committees](#) operating during 2011/12; Adult Social Care, Children and Families, Corporate Scrutiny, Environment and Prosperity, Health and Wellbeing and Sustainable Communities.
- 17 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.

Standards Committee

- 18 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.
- 19 Between April 2011 and March 2012, the Committee has considered ten complaints in total, two against members of Cheshire East Council and eight against members of the Borough's Town and Parish Councils. Of these complaints, four have been referred for formal investigation, with no further action taken on the remaining six.
- 20 The coming into force of the Localism Act 2011 on 1 November 2011 has changed the way in which local authorities will deal with complaints. Whilst the Act will still expect Councils to promote and maintain high standards of conduct by Councillors and co-opted members and the Town and Parish Councils in its areas, there will be no requirement to appoint a Standards Committee. Therefore, following the council meeting on 19 July 2012 future conduct issues will be dealt with by an ad hoc sub committee of the Audit and Governance Committee.

Internal Audit

- 21 The Council's Internal Audit Service produces and delivers 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 (currently vacant) reports progress against the Plan and the service's individual performance targets to the Audit and Governance Committee throughout the year.
- 22 The Internal Audit Annual Report for 2011/12 will be presented to the Audit & Governance Committee at its June 2012 meeting. The report concludes the formal Internal Audit opinion that the Council has established a satisfactory framework of risk management, control and governance. This provides adequate assurance over the Council's control environment, with control weaknesses identified during audits and/or by management addressed or being addressed.

External Audit and Inspection

- 23 During 2011/12, the Council has undergone an inspection by the Audit Commission ([Annual Audit Letter 2010/11](#)). 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. Grant Thornton will become the Council's new External Auditors as from 1st September 2012.

- 24 An [OFSTED](#) inspection of the Council's Safeguarding and Looked After Children role was carried out in June/July 2011 with the subsequent report giving an 'adequate' assessment. An improvement plan was agreed by the [Children & Families Scrutiny Committee](#) in September 2011.
- 25 The [Local Government Ombudsman's Annual Review](#) for the year ended 31st March 2011 was reported to the Audit and Governance Committee in September 2011. Of the 50 enquiries which were formally investigated, the Ombudsman found that, in 95% of the cases, there was no evidence of maladministration or injustice to the complainant. In the remaining 5% of the cases, Local Settlements were reached.

Chief Financial Officer

- 26 The roles and responsibilities of the Chief Financial Officer are outlined in the Constitution, along with their appointment as the Section 151 officer.
- 27 The Chief Financial Officer (Director of Finance & Business Services) attends Corporate Management Team, Cabinet and Council to provide direct input on all key decisions and is consulted on and signs off financial input to all Committee reports.

Monitoring Officer

- 28 The Borough Solicitor is formally appointed as the Monitoring Officer and their roles and responsibilities are set out in the Constitution.

Management Assurance

- 29 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.
- 30 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, including joint working arrangements, 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.

Performance Management

- 31 There is a defined performance management process beginning with the Business Plan, linked to service plans, team plans and then individual performance and

development plans. This is supported by an electronic performance management system; CorVu.

- 32 The performance reporting framework includes monthly reporting to Corporate Management Team and informal Cabinet with quarterly reporting and a quarterly challenge discussion between the Leader, Chief Executive and relevant Portfolio Holder and Director.
- 33 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.

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Section 2 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 six principles of Cheshire East Council's governance framework, as set out in the Authority's [Code of Corporate Governance](#) are outlined below, along with a brief description of arrangements and an assessment of the effectiveness of those arrangements during 2011/12.

Principle 1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision

1.1 *Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users*

- The Authority's Business Plan 2012-15, '[Ambition, Action, Achievement](#)' integrates financial and service planning at a corporate level, setting out priorities and targets for the next three years, linked to Cheshire East's Sustainable Community Strategy, '[Ambition for All](#)'.
- The Council's vision and Sustainable Community Strategy was subject to extensive consultation in Spring 2010 leading to approval of the Strategy in July 2010. The vision has been revisited and remains as 'Working together to improve community life'.
- Assessment criteria have been developed and applied to identify the Authority's Significant Partnerships, and a self assessment governance questionnaire has been completed by responsible officers. The findings from these questionnaires will also be used to inform the development of a Partnerships Protocol to provide further support and guidance on joint working arrangements. A Partnerships Register is being developed and alongside the Protocol will be used as the basis of an internal audit review of Partnerships governance.
- Arrangements for the publication of the annual financial statements meet statutory requirements. There is on-going dialogue with the Audit Commission to address [issues raised](#) during the audit of the [2010/11 accounts](#).
- The Council will be producing its Annual Report in July 2012, highlighting key achievements of the Authority against its planned actions.

1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, by commissioning

- A VFM Strategy was developed for the 2012/15 Business Planning process and the Business Plan now integrates reporting on corporate priorities with the budget, so that allocation of resources and service delivery priorities are more clearly linked. Audit Commission benchmarking data was used to inform the Business Planning process planning/challenge sessions and a positive VFM opinion was given in the 2010/11 accounts.
- The CorVu performance system was implemented during 2011/12 to allow tracking and reporting on key performance data.
- The Council has a [Corporate Complaints](#) procedure, supported by a database to record and monitor complaints. Performance data on the time it takes to respond to complaints and the number of complaints escalated to the Ombudsman are reported quarterly. The Council participates in the Local Government Benchmark Group that provides mystery shopping on a half yearly basis. The [Citizen's Panel](#) provides insight into overall satisfaction with the way Council runs things, and provides more detailed insight such as on 'contacting the Council'.

1.3 Ensuring that the authority makes best use of resources and that taxpayers and service users receive excellent value for money

- A VFM Strategy is in place which incorporates the corporate approach and its relevance to services. It includes an agreed approach to benchmarking and has been endorsed by Corporate Management Team. The business planning group meets on a weekly basis to discuss process and also the input to the budget setting process around benchmarking data, corporate challenge and key financial indicators. The efficiency requirements focused on those areas that were deemed to provide least value for money.
- The Council is continuing to improve its processes and is reviewing the approach to achieving value for money. A revised VFM Strategy will accompany the Business Planning Process for 2013/2016 and consider links to the Sustainable Community Strategy. Increasing cost drivers, such as social care, continue to be a feature of the Council's Budget and further work is underway to establish the basis for these costs and the options for providing services in the future with limited funding sources.
- The intention is that understanding the options available, and their impact, in terms of capital, one off revenue expenditure and organisational capacity, set against the Council's priorities and performance targets, will enable Cabinet Members and Corporate Management Team to set a "direction". That will determine which of the options can be explored in more detail and which will need to be delayed. This work will include consideration of alternative service delivery options where appropriate. In addition, funding mechanisms are changing to give the Council an opportunity to

influence its income levels through additional business rates etc. The need to invest to maintain / grow funding levels will also be considered as part of this process.

- Cheshire East Council's financial management arrangements comply with the governance arrangements of [CIPFA's Statement on The Role of the Chief Financial Officer in Local Government \(2010\)](#).
- The Chief Financial Officer plays a key role in business planning process, providing regular updates to Cabinet and Scrutiny Committees on financial scenario and budgetary position, including capital programme and treasury management.
- Robustness of budget estimates is reviewed by the Chief Financial Officer as part of the Business Planning process. Quarterly financial updates ensure that budget variances are identified, reported and addressed through remedial action in order to minimise any unplanned call on balances. Delivery of significant budget changes are risk assessed and tracked on a monthly basis.
- There are a number of areas e.g. Adult Social Care, ICT Shared Service where overspends have been identified and mitigating actions introduced. Further actions are ongoing and detailed in the Action Plan at Appendix 1.
- The Council has approved a [Treasury Management Policy and Strategy for 2012-15](#), however there is a need to develop Treasury Management Practice Statements which will document the processes used for business continuity purposes, elaborate upon the risk management strategies required and clarify the responsibilities for decision making.
- The Council has approved a [5 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 CMT and clear plans to deliver the priorities and actions identified.

Principle 2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

2.1 *Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function*

- The Scrutiny Chairs Group has been formally recognised in the Council's Constitution. The role of this group is to drive the work of the Overview and Scrutiny Functions, monitoring progress and workloads, as well as acting as a sounding board for matters of common interest across all overview and scrutiny committees, including new legislation and best practice.

- The Council appointed a Joint Member Working Group to investigate all available options to review governance arrangements under the Localism Act 2011. The [proposed governance option](#) agreed by Council in May 2012 continues the arrangements of the existing leader and cabinet model although with two Overview and Scrutiny Committees (instead of six) and up to nine new cross-party policy groups, aligned to the Cabinet.
- Delegated Decisions by Officers are recorded in Departmental Registers. During 2011-12 there were concerns expressed by Officers regarding the content and timeliness of a number of Delegated Decisions to waive Finance and Contract Procedure Rules. A revised procedure whereby all such Delegated Decisions would go to Corporate Management Team for approval was subsequently introduced in May 2012.

2.2 *Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard*

- The Council [elected a new Leader](#), Cllr Michael Jones at the Annual Council in May 2012. New working relationships will need to be developed between the Leader and the Chief Executive.
- The Council's Chief Executive is currently absent from work for a significant period due to ill health. In her absence, key duties have been covered by the Strategic Directors, and approval by Council has been given to the appointment of an interim Chief Executive, should it become necessary.
- During 2011/12, Finance and Contract Procedure Rules were [revised](#) and updated to reflect changes to the Officer Scheme of Delegation, [national best practice recommendations](#), changes to the way the Council operates and to improve alignment to other parts of the Constitution.

2.3 *Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other*

- The Council established a new [Independent Remuneration panel](#), which will recommend the annual remuneration for Members.
- In line with the requirements of the Localism Act 2011, the Council published a [Pay Policy Statement](#), outlining the Council's policy on all elements of pay and reward for Chief Officers and Deputy Chief Officers.
- Harmonisation of staff pay and conditions was achieved with effect from 1st November 2011, via a collective agreement with the Trade Unions. Officer terms and conditions are clearly set out and the full set of harmonised policies and procedures is available online to staff.

- The performance reporting framework has been developed and now covers monthly performance reports against the Service/Business plan made to informal Cabinet, quarterly reporting, quarterly challenge discussion between the Chief Executive, Leader, relevant Portfolio Holder and Director. Staff performance has been monitored against agreed objectives which link to team plans, through to the corporate priorities. A new Performance Development framework will be used in 2012/13.
- The Business Planning process is being used to demonstrate how resources will be matched against delivering the priorities outlined in “Ambition for All” and this has also been agreed by the [PACE \(Partnerships for Action in Cheshire East\) Board](#).

Principle 3 Promoting values for the authority and demonstrating values of good governances through upholding high standards of conduct and behaviour
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3.1 Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

- Member reports are generally open to the public, unless the Borough Solicitor authorises exemption on an exceptional basis, in accordance with [Access to Information Rules](#) as described in the Constitution. Meeting agendas contain public speaking and questions. The Council has in place provisions for [petitions and e-petitions](#).
- The Localism Act 2011 requires the council to adopt a new Code of Conduct and to have in place a process for investigating alleged breaches of the Code. The deadline for compliance is 1 July 2012, although regulations under the Act are still awaited.
- Members have received training and advice on bias and conflicts of interest, reinforced by protocols, the Code of Conduct for members and officers, and financial regulations. Departmental registers are maintained for officer conflicts and hospitality. Members register their interests, including hospitality. The Council has a [Whistle-Blowing policy](#), which is communicated to staff and available on the website and within the Constitution.
- The Employee Code of Conduct has been reviewed and updated and clearly sets out responsibilities and expectations for Officers. It is due to be reissued to all staff with their revised statement of particulars in June 2012.

3.2 Ensuring that organisational values are put into practice and are effective

- The Council has recently reviewed its ASPIRE values and is embarking on a programme of corporate improvements (known as “from Good to Great”).
- The Council’s Business Management Review has identified ‘corporate process owners’, responsible for leading the development of key financial processes/systems, including dissemination of best practice and compliance. Finance

Procedure Rules set out a clear framework of financial control/accountabilities and an updated version was agreed by Council in February 2012.

- The Anti-Fraud & Corruption Strategy, Confidential Reporting Procedure (Whistleblowing policy), Complaints Procedure, and Money-Laundering Policy provide the framework for identification and reporting of financial irregularities and potential control breaches. Disclosure statements from managers require the reporting of any suspected breaches of financial control/irregularity. The risk of financial loss due to unplanned expenditure arising from breaches of financial control is recognised in the corporate risk register and kept under continual review.
- The Standards Board for England was formally abolished on 21st March 2012 and Cheshire East Council's Standards Committee will be abolished on 1st July, 2012. Under the Localism Act, the Council had the option to set up a 'voluntary' Standards Committee or sub-committee with delegated powers to deal with Standards issues. It has been agreed that the Audit & Governance Committee establishes this sub-committee, once a new Code of Conduct is adopted. A further report is due to go to Council in July.
- All officer reports to Committee follow a mandatory template which indicates how recommendations take into account relevant policy and statutory obligations.

Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

4.1 *Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny*

- Scrutiny is supported by a dedicated team. Each Chair has regular briefings with individual [Portfolio Holders](#) and [Service Heads](#) which ensures that the work programmes compliment corporate priorities. Individual work programmes items are aligned to the Business Plan.
- A sixth Scrutiny Committee was added to the structure in 2011/12 to focus on health and wellbeing matters in preparation for the introduction of the Health and Wellbeing Board in 2013. This also provided an opportunity to create a dedicated Adult Social Scrutiny committee to give extra focus on that area of the Council's function. Changes to the scrutiny arrangements have been covered in 2.1.
- Internal Audit reports are submitted to management for comment and formal response. Towards the end of 2011/12, Internal Audit introduced a new Reporting Protocol, including a formal Audit Opinion for each audit with a follow-up procedure linked to this opinion.
- Internal Audit now report directly to the CFO, with a reporting line to the Chief Executive as well. The Audit and Governance Committee receive regular updates on Internal Audit work plans and key findings.

- Although the Head of Internal Audit post was vacant during 2011/12, appointment to this post is now being progressed. Collaboration opportunities with neighbouring authorities/public sector partners are being pursued through Cheshire & Warrington Sub-Programme Office.
- The Council maintains registers of interests and hospitality, as specified in [Finance and Contract Procedure Rules](#). Training is given to members and officers periodically. Agendas for member meetings contain specific reminders and explanation for the declaration of interests.
- The Council has established an Audit and Governance Committee supported by the Director of Finance and Business Services. The Constitution sets out the Terms of Reference and these follow the CIPFA model guidance. The number of members has been formally agreed and the number is such that should any conflict of issues arise this would be declared and there is no risk to the independent or effective decision making within this Committee. The CFO attends meeting of the Audit & Governance Committee in person. Regular monthly liaison meetings between CFO and Audit Commission leads, plus ad-hoc meetings on specific issues, are held as required.
- During 2011/12, five specialist Member/Officer groups were set up, each covering a specific area of audit and governance work, and made up of a small number of Members and relevant Officers. These were set up to help develop in depth knowledge and expertise amongst Audit & Governance Committee Members with the aim of improving the effectiveness of the Committee and building up good working relationships between Members and Officers.
- Under the Council's [Corporate Complaints procedure](#), described in 1.2, complainants are advised in stage 2 responses of their right to appeal to the Local Government Ombudsman if they are still dissatisfied.

4.2 *Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs*

- Significant investment has been made during the year to improve the financial management information available to managers. This has been delivered through a self-serve Financial Reporting Centre. Further investment in the financial accounting systems has been provided for in the medium term capital strategy.
- Committee report authors are required to complete a co-ordination sheet recording the 'sign off' of the report from Legal and Finance. Reports must also contain the legal and financial implications, either written or approved by the relevant department.
- Committee decision reports with material financial implications have to be cleared by the CFO, who also attends all CMT, Cabinet and Council Meetings and meets regularly with the Finance Portfolio holder.

- A [Citizen's Panel](#) has been set up in 2011/12 and the results of the first survey used to set service plans for 2012/13.

4.3 Ensuring that an effective risk management system is in place

- There is a [Risk Management Strategy](#) in place with a Corporate Risk Management Group chaired by the Portfolio holder. Risk assessments are required on all Cabinet and CMT reports. The process for risk management has been reviewed and improved in 2011/12 with the continued development of the process and clearer links to the service plan, business continuity and decision making.
- Corporate risks have been regularly discussed and reviewed with Cabinet and CMT, and update reports have gone to every Audit and Governance Committee. Training has been carried out for key staff and members as well as a number of workshops for key departments.
- Audit & Governance Committee receive regular updates on progress against the Annual Governance Statement action plan. Finance Procedure Rules set out comprehensive and robust financial management framework and principles.
- Findings in key system reviews carried out by Internal Audit during 2011/12 found that some processes and procedures supporting key Council policies required improvements e.g. local schemes of financial delegation. Actions are underway to address these issues (see Appendix 1).
- The Whistleblowing Policy complies with best practice as detailed in the [Whistleblowing Code of Practice Publicly Available Specification](#). All concerns received via the Policy are logged and tested out prior to a decision being made as to the appropriate action to be taken. The Audit and Governance Committee Fraud Sub Group receives verbal briefings on relevant cases and the full Committee is provided with more general updates as part of Internal Audit update reports.

4.4 Using their legal powers to the full benefit of the citizens and communities in their area

- The Monitoring Officer fulfils the statutory role with the help of the Legal team, who are involved in preparing reports and advising departments. The Constitution underlines this role, which is further enhanced by membership of CMT and close working with the Executive. External legal advice is sought as appropriate.
- The Monitoring Officer and Legal Team are proactive in ensuring advice is given on relevant legislation and ensuring the principles of natural justice and good administrative law are recognised and observed.

Principle 5 Developing the capacity and capability of members and officers to be effective
5.1 *Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles*

- Members receive individual induction and access to a comprehensive member training programme. Members receive a formal induction every 4 years with the last one being in May 2011. Any member who is new to a committee or taking on a new role is offered an induction and any training required.
- Workforce development plans are developed each year both at a Corporate level and a service level as an integral part of the business planning process. Individual development plans are also identified as part of the performance appraisal process and linked to objectives. A corporate induction programme is in place and all new starters are required to attend. A 'Management' Induction programme continues to be developed for Council managers and a new development programme for supervisors / first line managers will be launched in June 2012.
- A full set of Members job descriptions and person specifications are in place. All Statutory Officers have clear job descriptions and person specifications which state the necessary experience, skills and qualifications required to perform in the role. This is supported by the Corporate Training Programme; Corporate Governance has been identified as part of this. Briefings take place around the Council's Constitution, Finance Procedure Rules and Risk Management.
- The CFO is professionally qualified with extensive local government experience. The Finance team is extremely qualified and experienced and appropriately resourced, given the wider budgetary constraints facing the Council. Changes to team structure have been made to address capacity issues and facilitate more flexible working and skills pooling.
- The Council was issued with a monetary penalty notice in February 2012 by the Information Commissioner's Office (ICO) for a breach of the Data Protection Act. The Council had reported the breach in May 2011. A number of improvements to processes have been implemented as part of the undertaking agreed with the ICO and to enhance procedures where possible. (See Section 3)

5.2 *Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group*

- Annual development and appraisals are delivered within groups. Skills assessment is an important part of the performance appraisal process and individual development plans are developed as part of these discussions. This includes 6 monthly reviews as well as monthly one to one sessions. The new Behaviour/ Competency Framework will assist managers in identifying specific skills gaps to inform the development plans. The ASPIRE shared values continue to be embedded within the appraisal

process and these, along with the six key behaviours are priority areas for development.

- Further work is needed to develop the competence frameworks, which include financial knowledge and skills and to systematically embed these in person specifications and individual performance appraisal. Recent changes to Corporate Personal Development framework, which includes increased focus on 'Managing Resources' will provide an opportunity to pursue this. Investment in e-learning tools will extend the range of training offerings for officers and Members during 2012/13.
- Challenges remain in respect of developing Member roles and financial skills. The establishment by the Audit and Governance Committee, of Member task groups to provide a more focused channel for development input is offering some potential for progress.

5.3 *Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal*

- Active steps are taken to encourage new members at Citizenship ceremonies. Community participation is actively promoted through Local Area Partnerships and, joint working with parishes. There are also events held e.g. Local Democracy Week where Councillors visited schools. The membership of the PACE Board is kept under regular review.
- Annual development and appraisals are delivered within groups. Portfolio Holders are supported by Cabinet Support Assistants who learn and become familiar with Portfolio Holder responsibilities.
- Succession planning takes place at a local/service level and is integrated into the Workforce Planning framework. A formal corporate framework for succession planning is to be developed during 2012/13. Members participate in regular learning and development activity and there is succession planning within the Cabinet where there have been several changes to its composition over the last year and cabinet support members introduced to act as back up for existing portfolio holders.

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability

6.1 *Exercising leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships*

- In addition to the Council's Constitution and scrutiny toolkit, the use of social media has been developed to widen Scrutiny's reach and to improve two way communications with the public, through the use of Twitter, Chairman's blogs and by updating the Council's web pages.

- The [Health and Wellbeing Scrutiny Committee](#) has developed good working relationships with health partners and has an existing protocol in place with the PCT. This is under discussion so it can be revised to reflect the new role of the Clinical Commissioning Groups. Health partners understand the scrutiny process and regularly attend meetings. The Committee has started to look at how it will work with the Health and Wellbeing Board.

6.2 *Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning*

- A [Citizen's Panel](#) has been set up in 2011/12 and the results of the first survey used to set service plans for 2012/13. There is a Communications team plan and this covers the main methods of corporate communication with the public supported by communications in individual departments.
- 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.
- There are a variety of communication methods adopted which are targeted at particular audiences. For example, there is a [Council newspaper](#) giving overall updates and key messages, there is a very active media team producing proactive [press releases](#). The [consultation](#) exercises previously referred to are sometimes general e.g. quality of life and sometimes specific e.g. Highways annual survey. In addition work takes place with particular groups within our differing communities through the community engagement team; the migration impact fund, gypsy and traveller focus and through LAP area working
- Processes are in place to ensure effective management of [FOI](#), media relations and a culture of openness. A revised complaints and suggestions procedure has been put in place, formal consultation with the public has taken place on key areas during 2011/12, and a [Citizen's Panel](#) has been launched and one full survey undertaken in 2011/12. This is continuing into 2012/13 and the panel will be regularly refreshed.
- Regular reports on [FOI](#) are received by the Audit and Governance Committee and there is a new transparency process which was approved by CMT in April 2011. Significant FOI issues are raised on a weekly basis at informal cabinet and cabinet take an active interest in ensuring that we comply with our statutory requirements.
- The Council's [website](#) received the highest possible rating in the annual [SOCITM](#) survey which rates accessibility and customer focus of the website; Cheshire East was one of only three unitary councils to gain this score nationally.

6.3 *Making best use of human resources by taking an active and planned approach to meet responsibility to staff*

- There is a clear commitment from the Council to involve and consult with the recognised Trade Unions on all key decisions affecting employees and, as a result of fulfilling this commitment successfully, the Council has forged strong and positive relationships with all of the recognised Trade Unions. There is Trade Union representation at the Council's quarterly [Staffing Committee](#), providing an opportunity to discuss issues directly with Members and senior officers.
- The Council has a People Panel in place which comprises of employees from across the service areas. The panel focus on key 'people' initiatives such as the employee survey action plans, employee recognition schemes, communication and involvement in decision making etc. The panel, which complements the directorate specific employee focus groups plays a key role in influencing key decisions and policies aimed at improving and strengthening employee engagement.

Section 3 Significant governance issues and Action Plan

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:

- Awareness and compliance with Council processes/procedures
- Issues and actions arising from Lyme Green
- Empower Card Review
- Care Provider Failure
- Judicial Review
- Financial Management
- Shared Services SLE
- Data Protection breach

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

DRAFT

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

The Annual Governance Statement 2010/11 identified the following significant governance issues:

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

Progress against these actions identified for the above has been monitored throughout the year by the Corporate Governance Group, and reported to the Audit and Governance Committee. In reviewing the 2010/11 issues, the Corporate Governance Group identified “Financial Management” as a continuing significant issue. Sufficient progress has been made against the other issues for them not to be included in the 2011/12 statement.

No.	Actions	Responsibility	Target Date
1	Issue: Awareness and compliance with Council processes/procedures <i>Area: A number of Council policies have and are being updated. Sufficient awareness of Council policy and key documents (e.g. Finance & Contract Procedure Rules) in some areas of the Authority has proven to be lacking. The processes and procedures supporting key Council policies needs to be communicated/reiterated to managers/staff and compliance monitored thereon.</i>		
	<p>The Constitution Committee has continued to review the Council’s Constitution on an ongoing basis. The Committee considered a number of reports in 11/12 and made recommendations to full Council, leading to an update of the Constitution, including Finance and Contract Procedure Rules and Officer Schemes of Delegation.</p> <p>CMT to ensure service managers familiarise themselves with the Finance and Contact Procedure Rules, contained within the recently updated Constitution.</p> <p>As required by the Constitution, Managers are to ensure that they are familiar with the requirements of relevant delegated functions (Officer Schemes of Delegation), and that any</p>	Service Managers/CMT	July 2012

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<p>further sub delegations are set out in a Local Scheme of Delegation.</p> <p>In addition, approval limits for financial transactions should be documented within a Financial Scheme of Delegation. Delegated approval limits must be consistent with the Oracle workflow limits, and these limits should be complied with, even when purchases are initiated outside of the Oracle system.</p> <p>Service managers are asked to ensure such Schemes are in place, are kept up to date, and that compliance with approval limits and delegated functions is monitored.</p>		
2	Issue: Issues and actions arising from Lyme Green		
	Area: <i>At the request of the Chief Executive and the Leader of the Council, an Internal Audit review of the issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green was undertaken. The objective of the review was to provide an independent and objective opinion to the organisation on management's compliance with established policies, procedures, laws and regulations particularly with regard to the use of assets and resources entrusted to it in pursuance of the project. In particular it aimed to establish whether any controls, procedures or policies have been compromised and identify the steps that may need to be taken to prevent a re-occurrence.</i>		
	As per the Action Plan (when Minutes available) agreed by the Audit & Governance Committee at its special meeting of 14 th June 2012.	Audit & Governance Committee	As per. Committee timetable.
3	Issue: Empower Card Review		
	Area: <i>In November 2011 a review of the Empower Card implementation process was undertaken following concerns raised by users and providers. The early findings established that there were difficulties with Client Contributions, payment arrangements with providers and the relationship and processes with the supporting bank. The review, which included feedback from staff, customers and providers, has identified changes required to the supporting processes and the product in the form of an action plan.</i>		
	The review has been conducted by a task force led by the Strategic Director for Children's Families and Adults which included input from Audit, Finance and Legal.	Strategic Director of Children, Families and	March 2013

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<p>A steering group is in place to oversee the implementation of the action plan.</p> <p>An update report, which will seek approval for the future vision and options, will be brought to Members during the summer.</p> <p>Specific actions include:</p> <ul style="list-style-type: none"> • Undertaking an audit of payments and client contributions, by a specially created Empower Audit Task Team, aiming to establish the robustness of the payment arrangements with providers • Establishing and recovering directly from clients any contributions not paid in accordance with the Care Support Plan and Financial Assessment • Once the above actions have delivered sufficient stability, determine a new vision for the financial arrangements for Adults, explore future systems, banking products and processes to simplify and standardise 	Adults.	
4	<p>Issue: Care Provider Failure</p> <p>Area: <i>There is increased potential for legal challenge around fees paid, and of provider sustainability and or failure in the current economic climate, as demonstrated by the collapse of Southern Cross, the UK's largest care home provider in July 2011.</i></p> <p>The Council has commissioned a consultant to assist in developing a Fees Framework for Residential, Nursing, Domiciliary Care, Support Living and Direct Payments. This work will also achieve the development of Quality Frameworks – to assist the Council in raising standards of care, and to assure quality provision within the fees framework and affordability. By working with providers the aim will be to establish a fee structure that is sustainable for both the Council and providers over the medium term.</p>		
		Head of Integrated Strategic Commissioning and Safeguarding	December 2012
5	<p>Issue: Judicial Review</p> <p>Area: <i>Challenges to the Authority in the form of judicial reviews are increasing. The basis of the challenges involves the allocation of</i></p>		

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<p><i>funding and resources, and deprivation of liberty. The financial impact in 2011/12 is £500,000. The risk of provider failure in the care market has become a real concern during 2011/12, highlighted by the events at Southern Cross, the UK's largest care home provider until its demise in July 2011.</i></p> <p>The service has improved the application of policy, staff training and tightened procedures with the assistance of Legal. However, the risk of Judicial Reviews remains significant because of the continuing growth and availability of litigation, and the changing personalisation agenda.</p> <p>Continued close liaison with Legal, jointly assessing and monitoring potential cases will continue for the foreseeable future, allowing early warning and action to be taken across the Council.</p>	Head of Local Delivery and Independent Living Service	Ongoing
6	Issue: Financial Management <p>Area: <i>Delivery of the 2011/12 budget has proved challenging with a number of services facing out-turn pressures due to a range of factors, including inflation, ambitious delivery and savings targets and higher than anticipated levels of service demand. General economic pressures and the demands arising from the delivery of an ambitious capital programme and complex pay harmonisation package have added to the challenges.</i></p> <p>Actions already implemented/in progress</p> <p><u>General</u></p> <ul style="list-style-type: none"> • Monthly performance monitoring embedded • Corporate Training Programme extended to include Budget Management module • Development of improved suite of financial management reports and self-serve portal (Financial Reporting Centre) • 2012/13 budget adjusted to address permanent growth pressures (including Teachers Pensions, Placement costs for 16+ young people, Adults Care costs and undeliverable cross-cutting savings) • Monthly capital monitoring review meetings with main service directorates 		

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<u>Specific</u> <u>Children and Families</u> <ul style="list-style-type: none"> Development of in-house residential provision to reduce out of borough placement costs 	Deputy Director of Children and Families	March 2013
	<u>Adults</u> <ul style="list-style-type: none"> Refinement of cost driver analysis 	Strategic Director of Children, Families and Adults	December 2012
	<ul style="list-style-type: none"> Targetted debt recovery action 	Head of Business Management and Challenge	March 2013
	<ul style="list-style-type: none"> Empower audit and review 	Strategic Director of Children, Families and Adults and Director of Finance and Business Services	See Issue 3 above.
	<ul style="list-style-type: none"> Consultant engaged to support care cost challenge and undertake 'stress testing' of future savings delivery. 	Head of Integrated Strategic Commissioning and Safeguarding	September 2012
	<u>ICT</u> <ul style="list-style-type: none"> Rationalisation of Shared Service staffing levels and targetted VR programme Review of third party spend, cancellation and consolidation of contracts) Maximisation of partnership and third party income 		

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<p><u>Waste Management</u></p> <p>Service out-turn relating to Waste included the one off implementation costs of the new harmonised collection rounds and also redundancy costs. Certain cost pressures remain, attributable to pay harmonisation, fuel inflation and services contracts. Actions in progress include:</p> <ul style="list-style-type: none"> Review of waste fleet provision, including provision and maintenance Review of waste structure, particularly use of agency support Review of third party spend, contract provisions and revised tonnage forecasts <p><u>Community Services</u></p> <ul style="list-style-type: none"> Increased car park tariffs and alternative payment options <p>Further action proposed</p> <ul style="list-style-type: none"> Roll out of Financial Reporting Centre to 250 budget managers, and development of capital and payroll forecasting reports. Implementation of revised operating model for client finance Development of fully costed product/service catalogue for HR & Finance & ICT Shared Service Capital training module to be added to Corporate Training programme 	<p>Head of Waste & Recycling/Strategic Fleet Manager</p> <p>Head of Waste & Recycling</p> <p>Head of Waste & Recycling</p> <p>Director of Finance & Business Services</p> <p>Strategic Director Children, Families & Adults and Director of Finance & Business Services</p> <p>Director of Finance & Business Services</p> <p>Finance Manager</p>	<p>September 2012</p> <p>September 2012</p> <p>September 2012</p> <p>December 2012</p> <p>April 2013</p> <p>December 2012</p> <p>December 2012</p>

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<ul style="list-style-type: none"> Strengthening of capital programme governance and monitoring arrangements in accordance with recommendations arising from report on Lyme Green Waste Transfer Station project. 5 year capital programme planning being developed to ensure affordability and deliverability of medium term investment programme. 	<p>Director of Finance & Business Services</p> <p>Director of Finance & Business Services</p>	<p>September 2012</p> <p>September 2012</p>
7	Issue: Shared Services Separate Legal Entity (SLE) Area: The Council has a range of shared services. Of these, it is proposed that the ICT and HR and Finance shared service be set up as a separate legal entity (SLE) to enable greater collaboration and potential increased trading. This arrangement would also allow for employees in those services to be employed on a single set of terms and conditions. In preparation for the SLE an extensive improvement programme has been undertaken to address performance issues and to stabilise infrastructure and systems. Another outcome was the development of a fit for purpose Target Operating Model to move the services into a company situation. Recruitment to the TOM is currently underway to enable a transition to shadow mode in anticipation of the move to an SLE as it is believed that this will help to minimise risk of failure. It is anticipated that the SLE Business Case will be approved by Shared Services Joint Committee in the autumn to enable new arrangements to be put in place from 1 April 2013. Existing governance will be reviewed to ensure that this continues to be appropriate to this new way of working.		
	The latest Business Case will be subject to informal discussion by the Joint Committee in June 2012. Should Members informally endorse the Business Case, it will then be subject to the formal decision making processes of both Cheshire East and Cheshire West and Chester Councils. This will include formal consideration by the appropriate scrutiny committees of each authority.	Director of Finance and Business Services	Ongoing
8	Issue: Data Protection breach Area: The Council was issued with a monetary penalty notice by the Information Commissioner's Office (ICO) for a breach of the Data Protection Act. The Council reported the breach to the ICO following an incident in May 2011, where an email containing sensitive personal information was sent to a wider audience than intended. A number of improvements to processes have subsequently been		

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

No.	Actions	Responsibility	Target Date
	<p>made.</p> <p>Following the monetary penalty notice received in January 2012, the Chief Executive signed an undertaking with the Information Commissioner. The requirements of the undertaking included updating policy, introducing various organisational and technical measures and giving training to members and officers.</p> <p>Actions already implemented</p> <ul style="list-style-type: none"> • Data Protection Policy amended and updated. • Data Sharing Protocol and guidance leaflet published. • ICT Security policies updated. • Increased use of secure e-mail facilities. • Training delivered to managers and members • E-learning modules introduced. • Mandatory training for all members of staff as part of Personal Development Plan. • Establishment of Data Protection Liaison Officer within services. • Concerted communications campaign including Team Talk articles, refresh of intranet pages, separate DP e-mail address etc. <p>Actions in progress</p> <ul style="list-style-type: none"> • Development of Data Sharing Policy, Paper Record Policy, Personal Data Definition leaflet, standard paragraphs to be used by services restricting further distribution of information etc. • Further training for members planned. • Other targeted training, awareness sessions planned. • Continued establishment of DP Liaison Officers. 	CMT/Data Protection Officer	Ongoing to March 2013.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 28th June 2012
Report of: Head of Internal Audit
Title: Internal Audit Annual Report 2011/12
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 The purpose of the report is to provide the committee with an opinion on the overall adequacy and effectiveness of the Council's control environment for 2011/12.

2.0 Recommendation

- 2.1 To note the contents of Internal Audit's annual report for 2011/12.

3.0 Reasons for Recommendation

- 3.1 In order to comply with the Code of Practice for Internal Audit in Local Government in the United Kingdom, the Head of Internal Audit must provide a written annual report to those charged with governance timed to support the Annual Governance Statement (AGS).

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 (Authorised by the Director of Finance and Business Services)

- 7.1 The internal audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The Head of Internal Audit post is currently vacant, although action is underway to fill that vacancy. 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 of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

9.0 Risk Management

- 9.1 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 Accounts and Audit Regulations 2011.

10.0 Background and Options

- 10.1 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 AGS. 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.
- 10.2 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 10.3 In order to comply with the Code, the Head of Internal Audit must provide a written report to those charged with governance timed to support the Annual Governance Statement. The primary purpose of the report, which is set out in Appendix A, is to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. The report has been written by the two Audit Managers, as the post of Head of Internal Audit is currently vacant.

11.0 Access to information

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

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Designation: Audit Manager

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Internal Audit Annual Report 2011/12**1 Introduction**

1.1 In accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom, the Internal Audit Annual Report 2011/12 for Cheshire East contains the following:

- an opinion on the overall adequacy and effectiveness of the organisation's control environment (Section 2)
- any qualifications to that opinion, together with the reasons for the qualification (Section 2)
- a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies (Section 3)
- any issues judged particularly relevant to the preparation of the Annual Governance Statement (Section 4)
- comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets (Section 5)
- comments on compliance with these standards and communication of the results of the internal audit quality assurance programme (Section 6)

2 Opinion on the Internal Control Environment

- 2.1 Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified.
- 2.2 It should be noted that the assurances given by Internal Audit are never absolute because it is impossible to examine every activity and every transaction. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been addressed.
- 2.3 A number of significant issues have been reported by Internal Audit during the course of 2011/12 and the actions that management has agreed to take in response to these findings will, if implemented satisfactorily, resolve them appropriately. Internal Audit will monitor the implementation of these actions during 2012/13 and report back to the Committee accordingly.
- 2.4 There are no outstanding significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2011/12 Annual Governance Statement.
- 2.5 Therefore, in the opinion of the Head of Internal Audit, as represented currently by the two Audit Managers, the Council has established a satisfactory framework of risk management, control and governance. This provides adequate assurance over the Council's control environment, with control weaknesses identified during audits and/or by management addressed or being addressed.

Internal Audit Annual Report 2011/12

This opinion is based on the following:

- the extent and coverage of Internal Audit's 2011/12 work;
- Internal Audit's delivery of the Audit Plan in accordance with the CIPFA Code of Practice
- Management's positive response to advice and recommendations;
- the AGS process.

3 Summary of Audit Work 2011/12

3.1 During 2011/12, interim reports on progress against the Internal Audit Plan were regularly brought to this Committee. A summary comparison of the 11/12 Audit Plan with Actuals is shown below (with comments on variances).

Summary Comparison of Audit Plan 2011/12 and Actuals

Area of Plan	Plan	Actual	Comments on coverage
Corporate Governance	4%	2%	AGS produced as planned.
Fundamental Financial Systems (including Shared Services)	14%	25%	Higher than planned due to: <ul style="list-style-type: none"> ▪ 2010/11 key system work overlapping into 2011/12. ▪ Additional work on Oracle accesses, which External Audit placed reliance on for 2010/11 accounts. ▪ Revenues and Benefits new systems.
Key Service and Departmental Systems	35%	40%	Broadly as planned.
Fundamental Corporate Areas	9%	1%	A general audit of Strategic Risks (SR) was carried out, using a sample of SRs rather than planned individual audits of each SR, hence reduced time spent.
Partnerships	6%	2%	As above.
Counter Fraud and Probity	15%	21%	Although close to planned overall, reactive work is far higher than planned, at the expense of proactive work.
Consultancy and Advice	9%	9%	Management requests in line with allocation.
Contingency	6%	0%	All Contingency days used.
Follow up work	2%	0%	Follow up work has been carried out in Q4, although time spent has been charged to original project.
Total	100%	100%	

Internal Audit Annual Report 2011/12

- 3.2 During the year, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised a mix of risk based auditing, regularity, ICT audit, investigations and the provision of advice to officers.
- 3.3 The following table shows the number of audits leading to formal reports in 2011/12 and the number of resultant actions in those reports and the numbers agreed and implemented (to date).

2011/12 Audits with formal reports

	Number/ Percentage
Total Number of Audits with a formal audit report in 2011/12¹	44
Recommended Actions per formal reports issued	261
Less: Awaiting response/ or follow up date	(24)
Recommended Actions with received management response²	237
Actions agreed	227
Percentage of Actions agreed	95.7%
Actions implemented	81
Actions in progress	146
Actions superseded/not implemented ³	10
Notes	
1 Excluding Investigations Reports (See Section 3.6)	
2 Management response to original report or follow-up audit	
3 Actions that have not been implemented due to either the action not being relevant anymore, or the manager not agreeing with the recommendation. In these latter instances, alternative actions were agreed with Internal Audit and implemented instead.	

- 3.4 At the end of March 2012, Internal Audit introduced a formal opinion within a new report format. This will enable an even clearer summary of the results of audit reviews both throughout the year and will further improve the interim reporting building up to the overall audit opinion at the end of the year.

Additional audit work

- 3.5 Internal Audit assisted management in discharging their duties through the provision of support, advice and guidance in a number of areas throughout the year. Such work does not always result in a formal audit report although it does contribute to the overall audit opinion. Examples of this work include:

- Annual Governance Statement (see Section 4 & separate report to Committee)
- Partnerships Protocol
- National Fraud Initiative

Internal Audit Annual Report 2011/12

- Oracle R12 follow-up
- Oracle Access Rights Review
- Client Finance Review
- Empower Audit Task Team
- School Financial Value Standard
- Lean Reviews
- 'Think Twice' monitoring
- Consultancy and Advice on Policy, Procedures & Compliance
- Grants

Counter Fraud

- 3.6 During 2011/12, Internal Audit carried out several detailed investigations across the Council with appropriate action taken where necessary.
- 3.7 In addition, support and advice was provided to investigations where management had appointed an Investigating Officer.
- 3.8 Whilst the number of investigations during the year impacted upon the amount of pro active anti fraud work carried out, the following tasks were undertaken:
- A Fraud Sub Group was established to provide further detail to members on emerging fraud risks and anti fraud work carried out by Internal Audit.
 - A Whistleblowing review was carried out and the findings reported to the March 2012 meeting of the Audit and Governance Committee.
 - National Fraud Initiative – matches for investigation are now reaching conclusion and work is being carried out in preparation for the 2012/13 exercise.

Reliance placed on work by other assurance bodies

- 3.9 Assurance is placed on the work of the Audit Commission, OFSTED, and other external bodies where appropriate. Further work is planned in 2012/13 by Internal Audit to further map the assurance framework of the Council as a whole, and in certain specific areas such as Education/Schools.

4 Annual Governance Statement 2011/12

- 4.1 In compiling the AGS, significant issues that are considered to fall short of the expected standards are commented on in the Statement. Management has identified the following significant governance issues, further detail of which can be found in the draft 11/12 AGS:
- Awareness and compliance with Council processes/procedures
 - Issues and actions arising from Lyme Green
 - Empower Card Review
 - Care Provider Failure
 - Judicial Review
 - Financial Management

Internal Audit Annual Report 2011/12

- Shared Services SLE
- Data Protection breach

4.2 The AGS has an action plan to address these issues which includes actions already in place along with other planned actions. In a number of these areas, Internal Audit is already involved in ensuring that improvements are being implemented and time has been allocated in the 12/13 Audit Plan to review the other areas. In addition, progress against the 11/12 AGS Action Plan will be monitored by Internal Audit and reported back to this Committee.

5 Internal Audit Performance

5.1 As of August 2011, Internal Audit began reporting directly to the Section 151 Officer (Director of Finance & Business Services) and is no longer part of the same team as Compliance and Risk Management. The Internal Audit establishment has been significantly reduced recently to reflect the savings required as part of the 2011/12 budget settlement. The current team is particularly lean and the Head of Internal Audit post is currently vacant. Despite this, the team has continued to deliver the Audit Plan.

Performance Indicators

5.2 Internal Audit has a number of Performance Indicators that are measured and reported on:

Performance Indicator	2011/12 Target	2011/12 Actual	Comments
Percentage of Audits completed to user's satisfaction	100%	90%	Currently below target, although a high percentage. Any low scores are discussed between the Audit Manager, Auditor, and Client (if necessary) for lessons learnt.
Percentage of significant recommendations agreed	100%	98%	This is almost on target. The new report format for 12/13 will prompt Managers to agree (or not) each recommendation.
Productive Time (of Chargeable Days)	80%	86%	Above target.
Average number of working days between end of fieldwork to issue of draft report	15 days	19 days	Below target. As reported at January 2012 Committee meeting, this indicator is extremely difficult to measure and the decision has been taken to use an alternative for 12/13. The score for 'promptness of audit report' from the Client Questionnaire will be used in future. For 11/12, this score is an average of 8.5 (out of 10).

5.3 The final Performance Indicator for 11/12 is the Percentage of significant recommendations implemented. As reported at January 2012 Committee, the

Internal Audit Annual Report 2011/12

current Audit Management system does not easily produce the data for this indicator. Considerable work has been carried out in Quarter 4 of 2011/12 to manually record this information and this is shown in 3.3.

- 5.4 The measure of Actions Implemented shows that 96% of actions have been or are in the process of being implemented. Of the remaining 4%, these have either been superseded by events or alternative recommendations, as agreed with Internal Audit, have been implemented.
- 5.5 However, there are a currently a large proportion of Actions recorded as implementation 'in progress'. This may be for a variety of reasons i.e. timing and further work will be carried out in tracking these actions and analysing progress. This will be reported back as part of Internal Audit's interim reporting during 2012/13.
- 5.6 As reported previously to the Committee, a review of the current Performance Indicators was carried out in Quarter 4 and, in addition to the new indicator mentioned in 5.2 above, there are also new indicators relating specifically to investigations and also follow up audits. Progress against these indicators will be reported through 12/13.

6 Compliance with Code of Practice for Internal Audit

- 6.1 Regulation 6 of the Accounts and Audit Regulations 2011 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings.
- 6.2 In accordance with the Regulations the performance of Internal Audit has been measured using the checklist appended to the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. (A separate assessment of the Audit Committee has been undertaken). The review, completed by Audit Managers has concluded that, although there are areas for improvement (as detailed below), the internal audit service is being delivered to the required standard. This contributes to the assurances received for the AGS and will be shared with members of the Committee as part of the training workshop in September.

Service Improvement Plan

Area	Action
Scope of Internal Audit	
Internal Audit Terms of Reference	Update and review, picking up actions from Internal Audit Self Assessment.
Assurance Framework	Building on work of Corporate Governance Group, in developing Governance Framework for the Council, develop Assurance Framework to ensure no duplicated efforts or gaps.
Partnership Arrangements	Review and update protocol with CWaC Internal Audit, in light of SLE and auditing arrangements decision.

Internal Audit Annual Report 2011/12

Area	Action
Independence	
Audit Advice/Status of Internal Audit	Incorporate stance on advice/guidance and reporting lines/role of Head of Internal Audit in ToR.
Status of the Head of Internal Audit	Head of Internal Audit post to be filled.
Ethics of Internal Audit	
Ethics	Staff to be reminded of ethical responsibilities.
Relationships	
External Auditors	Engage with Grant Thornton and update Audit Protocol.
Other Regulators & Inspectors	Review and update as part of Assurance Framework.
Staffing, Training and Continuing Professional Development	
Skills & Competencies	In conjunction with new corporate policy, ensure periodic assessment against pre-determined skills/competencies.
Training & Development Needs	Co-ordination, review and monitoring of training and development programme.
Audit Strategy & Planning	
Audit Strategy	Update and review, picking up actions from Internal Audit Self Assessment.
Undertaking Audit Work	
Audit Manual/Work Instructions	Identify all relevant work instructions and produce or update existing ones. Develop process for ongoing review and maintenance.
Galileo (Audit Management System)	Team workshop to share best practice, identify improvements etc. Also: liaison with other Authorities/software supplier, where necessary.
Oracle & Other Systems	Hold team knowledge sharing session and identify gaps/additional training required.
Audit Documentation	Re-organisation of shared drive/potential use of Sharepoint.
Due Professional Care	
Monitoring and Review	Ensure included within Manual/Work Instructions.
Reporting	
Follow-up	Formalise procedure/report format etc.
Performance, Quality & Effectiveness	
Client Questionnaire	Review use of electronic solution (Survey Monkey).
Other Client Feedback	Gain feedback on service as a whole from management, members etc.
Audit Profile	Review/update of intranet site.

- 6.3 An action plan for improvement has been developed that is separate from the AGS action plan, as the latter should only include significant weaknesses.

Internal Audit Annual Report 2011/12

Consequently, the review has established that the opinion, contained within this report, may be relied upon as a source of evidence in the AGS.

Internal Audit Annual Report – Key Work in Quarter 4

Area	Key Work in Quarter 4
Supporting Corporate Governance	Production of 2011/12 AGS and development of Governance Framework.
Fundamental Financial Systems (including Shared Services)	2011/12 systems work, including joint reviews (with CWaC Internal Audit) of Accounts Payable, Payroll and Accounts Receivable. Also: General Ledger and Cash Receipting.
Key Service and Departmental Systems	<p><u>Adults</u> Continued support to Client Finance Review within Adult Services along with the provision of resource to assist the Empower Audit Task Team.</p> <p><u>Children & Families</u> Continued development, in conjunction with the Schools Finance Team, of an assurance framework to meet the requirements of the Schools Financial Value Standard including planning visits to a number of schools to pilot the proposed framework.</p> <p><u>Places</u> Advice on control framework within new Highways Maintenance contract.</p> <p><u>Performance & Capacity</u> Procurement/Health & Safety audits.</p>
Fundamental Corporate Areas	Strategic Risks review.
Partnerships	Development of Partnerships Protocol.
Counter Fraud and Probity	<p>A number of investigations were carried out during this quarter and continued into Q1 2012/13.</p> <p>A thorough and robust investigation of all issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green; in particular to identify any governance issues and whether all financial and contractual regulations had been complied with.</p>
Consultancy and Advice	Ad-hoc work; specific larger projects include Lean Reviews, 'Think Twice' monitoring etc.
Contingency	The Contingency allocation of days for 2011/12 has been used on unplanned work.
Follow up work	Ad-hoc follow up work in period.

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th June 2012
Report of: Corporate Risk Management Group
Subject/Title: Annual Report on Risk Management
Portfolio Holder: Councillor David Brown

1.0 Report Summary

- 1.1 This is the annual report of the Corporate Risk Management Group to the Audit and Governance Committee. 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. This report records the work of the Corporate Risk Management Group for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The report covers the financial year from 1 April 2011 to 31 March 2012 and includes any significant issues up to the date of the preparation of the report.

2.0 Recommendations

- 2.1 The Audit and Governance Committee is requested to consider and review the annual report of the Corporate Risk Management Group which is for information and discussion.
- 2.2 Part of the work of the Group included an annual review of the Risk Management Policy, although the Policy remained fit for a purpose a number of minor amendments have been made to strengthen the Policy. The Audit and Governance Committee is requested to approve the minor changes made to the Risk Management Policy (as attached at **Appendix A**) as a result of the annual review, for onward ratification by Cabinet.

3.0 Reasons for Recommendations

- 3.1 The recession, economic environment and ongoing changes in the public sector bring about a heightened expectation in relation to the Council's risk management and corporate governance framework. Cheshire East Council is publicly accountable and must be able to demonstrate effective management of the kinds of risks which threaten the achievement of its strategic objectives, the effectiveness of its operations, the reliability of its

financial reporting and the security and value of its assets. It is important that Cabinet is aware of and has sufficient understand of the key risks facing Cheshire East Council so that it may operate as effectively as possible and takes account of key risks when making decisions.

- 3.2 Being able to demonstrate effective systems for managing risks is a critical step in producing supportable statements of internal control for annual reporting purposes. The benefit of a strong risk management framework from a governance viewpoint is that it gives a greater level of confidence that management have properly and adequately fulfilled their responsibility in operating an effective system of internal control. In order to form an opinion on the effective operation 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, the work of the Corporate Risk Management Group helps to provide assurance of this.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 N/A

6.0 Policy Implications (including carbon reduction and 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. A risk around carbon management and climate change has been included on the Council's significant risk register as a cross-cutting risk. A specific risk around health partnerships is included as a key corporate risk on the Council's corporate risk register.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 None in relation to this report, a risk around financial control is included as a key corporate risk on the corporate risk register.

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 framework (which includes the role and work of the Corporate Risk Management Group) is operating effectively. The content of this report aims to mitigate the following risks:-

Key Risks
That Cheshire East Council fails to properly develop, implement and demonstrate an effective risk management framework
That Cheshire East Council fails to apply its risk management policy consistently across the Council
That Cheshire East Council fails to recognise risk or make correct decisions to tolerate, treat, transfer or terminate risk due to poor risk management

10.0 Background

10.1 Corporate Risk Management Group Membership

- 10.1.1 Membership of the Corporate Risk Management Group for 2011-12 was as follows:

Cllr David Brown – Portfolio Holder (Chair)
 Vivienne Quayle - Head of Performance, Customer Services and Capacity
 Julie Davies - Human Resources Strategy & Policy Manager
 Peter Hartwell - Head of Safer & Stronger Communities
 Christine Mann - Finance Manager
 Jackie Gray - Shared Services Manager
 Juliet Blackburn - Performance & Partnerships Manager
 Pauline Walsh - Manager of Joint Commissioning & Standards (Adult Services)
 Diane Taylor - Partnerships & Planning Manager (Children & Families)
 Catriona Thompson - Head of ICT Security
 Sandra Smith - Compliance Unit Manager
 Jon Robinson - Audit Manager
 Joanne Butler - Risk Manager

- 10.1.2 Membership of the Group is reviewed annually as part of the self review of effectiveness and as and when required during the year if there are any leavers or role changes. As a result of the self-assessment, for 2012-13, membership of the Group will also include a legal representative colleague on a trial basis to establish the value of this for both parties.

10.2 Corporate Risk Management Group Meetings

10.2.1 Meetings of the Corporate Risk Management Group to consider risk management took place on:

- 17 May 2011
- 19 July 2011
- 8 September 2011
- 3 November 2011
- 19 January 2012
- 1 March 2012

10.3 Corporate Risk Management Group Terms of Reference

10.3.1 The Group's Terms of Reference were maintained during the year, some minor amendments to the responsibilities and updates to membership were made on an ongoing basis. A formal review of the Terms of Reference was undertaken as part of the self-review of effectiveness and was found to be adequate and fit for purpose.

10.4 Risk Management Policy

10.4.1 Cheshire East Council is required to ensure that it maintains a sound system of internal control. As part of the work of the Corporate Risk Management Group, the following key principles of effective risk management have been applied.

Effective risk management:

- covers all risks - governance, management, quality, reputation and financial, however it is focused on the most important key risks
- produces a balanced portfolio of risk exposure
- is based on a clearly articulated policy and approach
- requires regular monitoring and review, giving rise to action where appropriate
- needs to be managed by an identified individual and involve the demonstrable commitment of senior officers and members
- is integrated into normal business processes and aligned to the strategic objectives of the Council

10.4.2 The Corporate Risk Management Group reviewed and updated the Council's Risk Management Policy at its meeting on 17 May 2011. The updated Risk Management Policy was approved by Cabinet at its meeting on 5 September 2011. It was agreed that the Risk Management Policy be reviewed on an annual basis and so was reviewed by the Group at the meeting held on 11 May 2012. During the year, queries and suggestions about the Risk Management Policy were received that were considered as part of the Policy review. The outcome of the review was that although the Policy remained fit for purpose a number of minor amendments could be made to strengthen the Policy. The amendments are highlighted for ease of reference in the attached copy of the Policy at **Appendix A** to this report.

10.4.3 Consideration was given as to whether the inclusion of the Business Continuity Strategy as a sub section of the Risk Management Policy was the right place or if this needed to be a separate Policy. The CRMG agreed that it should remain as a sub section of the Policy but suggested that this be reviewed and updated for the next annual review by the Emergency Planning Team.

10.4.4 **Audit and Governance Committee is requested to approve the minor changes made to the Risk Management Policy** as a result of the annual review, for onward ratification by Cabinet.

10.5 Key Corporate Risks

10.5.1 During the year, the Corporate Risk Management Group considered and discussed the Council's key corporate risks to ensure that risks were assessed consistently across the Council and to monitor the implementation of actions to mitigate the risks to acceptable levels. A number of risks were added to and removed from the key corporate risk register during the year; some of the removed risks later re-emerged.

10.5.2 At each meeting during the year, the Audit and Governance Committee received a risk management update from the Corporate Risk Management Group, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of risks. A copy of the key corporate risk heat map including risk description and risk scorings is attached at **Appendix B** to this report for information.

10.5.3 The Audit & Governance Committee requested that it receive a short briefing at each meeting from the Risk Owners / Managers of the highest key corporate risks. (For this purpose, short briefing means attending the meeting and being able to talk through the risk stewardship template to explain the risk and controls.) The key corporate risks presently scored as High and the corresponding Risk Owners / Managers are as follows:-

- KCR2 Financial Control - Lisa Quinn / Chris Mann
- KCR4 Vulnerable Children - Lorraine Butcher / Cath Knowles & Kate Rose
- KCR5 Vulnerable Adults - Lorraine Butcher / Lucia Scally
- KCR6 Equality Gap - Lorraine Butcher / Lucia Scally
- KCR8 Health Partnerships - Erika Wenzel / Lorraine Butcher & Heather Grimbaldeston
- KCR14 Information, Research and Business Intelligence - John Nicholson / Vivienne Quayle & Juliet Blackburn
- KCR16 External Environment - Erika Wenzel / John Nicholson

10.5.4 The most up to date version of the risk stewardship template for key corporate risk 2, Financial Control, will be available for discussion with the Risk Owner during the Audit and Governance Committee meeting.

10.6 Significant and Cross-cutting Risks

10.6.1 The Corporate Risk Management Group provides a medium for ensuring that significant and cross-cutting operational risks that may affect the achievement of the Council's objectives are escalated and reviewed alongside the Corporate Risk Register. Significant and cross-cutting risks identified by the Group so far include the following risk titles:-

- Data Protection
- Freedom of Information
- Succession Planning
- Project Management
- Carbon Reduction
- Technological Opportunities

10.6.2 Work is presently underway to assess these risks and to record existing and future planned mitigating actions; these risks will then be escalated accordingly.

10.7 Specialist Risk Areas – Health & Safety, Insurance and National Fraud Initiative

10.7.1 The Group received an informative briefing from Cheshire East Health & Safety Team on the role and work of the team and on the health and safety risks faced by Cheshire East Council. Colleagues from Risk, Insurance and Health and Safety agreed to share details on trends and issues with a view to identifying any risk 'hot spots'.

10.7.2 The Insurance Team also gave a briefing to the Corporate Risk Management Group on claims and the insurance fund. It was thought that an analysis of claim volumes and trends over the previous two financial years could help to focus and direct resources. Robust risk management was seen as vital in safeguarding both the insurance fund and the Council's reputation with insurers. A range of claims reports were to be made available to Services on a quarterly basis to support risk management initiatives and to help services focus on emerging trends.

10.7.3 Following the corporate insurance tender, completed in March 2012, a total of £260k annual savings has been secured against the 2011/12 premiums. A number of factors have contributed to these savings and helped to raise Cheshire East's profile in the insurance market, including the following:-

- The Council was able to demonstrate to the insurance market that it is a well managed Authority in terms of its insurable exposures and management of risk. It should be noted that services were asked to participate in Risk Clinics early on in the process which were used to glean information to support the tender exercise and which were highly

successful due to the willingness of services to participate and inform the process.

- Availability of the Corporate Risk Register and the Risk Management Policy.

10.7.4 During the year the Corporate Risk Management Group also received updates from the Internal Audit Team on the progress and findings of the national fraud initiative. This included information on identified errors / frauds from the exercise and areas of risk that recommendations had been made to improve controls.

10.8 Risk Management Framework Improvements

10.8.1 The Group discussed weaker areas of the risk management process and requested that guidance on risk management be drafted for report writers.

10.8.2 Presently, key corporate risks are identified and assessed through one to one discussions with risk owners and through discussion in the Corporate Risk Management Group meetings. Ideally the identification of risks should be both from a top-down strategic risk approach with the bottom-up operational risks meeting somewhere in the middle. Work is underway to assist Services with identification of risk alongside service planning. The Corporate Risk Management Group suggests that Cabinet and CMT undertake a risk workshop to review the key corporate risks to achieving the Council's objectives and to update the key corporate risk register.

10.8.3 The Group agreed that a number of workshops be held with Directors and their relevant Management Teams to review collated risk registers, agree an overview of the risk exposure that the business areas face, and allocate a risk appetite level, using a scale of 1 to 5 (1 being Zero risk appetite and 5 being High risk appetite). For each business area a qualitative high level statement of risk preferences would then be defined.

10.8.4 An annual self-review of effectiveness was undertaken by the Group through means of a general discussion and use of a proforma questionnaire for assessment. The overall opinion of the self-assessment review was that whilst the Corporate Risk Management Group worked effectively as a Group, potential enhancements to ensure that the Group was sufficiently outward facing were identified and an action plan had been drafted accordingly.

10.9 Internal Audit – Management of Strategic Risk

10.9.1 The Corporate Risk Management Group received a copy of the Draft (for discussion). Internal Audit Report on the audit of the Management of Strategic Risk. An audit opinion of Satisfactory Assurance was given in the report. The audit conclusion was that there have been considerable improvements in the management of strategic risk within the Council. The report included a number of suggested actions to help consolidate this

positive foundation for risk management, and encourage the development and extension of risk management into managing other levels of the risk hierarchy, and supporting the business planning framework.

11.0 Corporate Risk Management Group Summary

- 11.1 The purpose of the Corporate Risk Management Group is to assist the Council with the management of risks to achieving its strategic priorities and service delivery by reviewing all matters concerning the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The work of the Corporate Risk Management Group over the year has assisted and demonstrated improvements to the Council's risk management framework, but there are further developments to be made to progress the level of risk maturity of the Council.
- 11.2 It is important that risk management is not seen as a burden to the Council, the benefits of a high level of risk maturity are that internally it promotes good management by encouraging consistent and systematic management behaviour to identify and assess risk and take advantage of opportunities. Active risk management means that projects and initiatives are better managed and unnecessary opportunistic risks are avoided. A consistency of approach, owing to an embedded risk management framework, will promote and facilitate better cross-functional working between administrative support and service functions within the Council. Consequentially, it adds value by improving communication and raising a greater awareness of projects, initiatives and activity.

12.0 Access to Information

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

Name: Vivienne Quayle
Designation: Head of Performance, Customer Services and Capacity
Tel No: 01270 686859
Email: vivienne.quayle@cheshireeast.gov.uk

CHESHIRE EAST COUNCIL - RISK MANAGEMENT POLICY

1.0 Introduction

1.1 A risk is concerned with a threat or a possible future event which will adversely or beneficially affect Cheshire East Council's ability to achieve its objectives. **It is typically assessed using two dimensions, one of which is the impact of the threat or hazard. This represents the consequence of the threat or hazard on the Council's objectives. The second dimension is the frequency or likelihood of the risk occurring, this represents the probability of the threat or hazard happening.**

1.2 Risk management is the process that informs strategic development through the identification and treatment of risk such that, objectives are more likely to be achieved, damaging actions or events are avoided or minimised and opportunities maximised.

2.0 Purpose

2.1 This risk management policy forms part of Cheshire East Council's internal control and corporate governance arrangements. The purpose of this policy is to clearly outline the council's commitment to risk management, describe the objectives of risk management and provide a framework for embedding risk management across the organisation, with defined roles and responsibilities and a structured process. Through the implementation and embedding of an effective risk management framework, Cheshire East Council will ensure that it is better placed to manage its performance, achieve its corporate objectives and provide an enhanced level of service to the community.

2.2 The following key principles outline the Council's approach to risk management and internal control:

- Council and Cabinet have responsibility for overseeing risk management within the council as a whole
- an open and receptive approach to understanding the challenges of risk management is adopted by Cabinet and Council
- the Chief Executive and the Corporate Management Team support, advise and implement policies approved by Cabinet and Council
- the Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- there will be a range of appetites and tolerance levels for different risks which will vary over time but these will be approved and communicated appropriately
- the Senior Management Team are responsible for encouraging good risk management practice within their Service Areas
- key risk scores and indicators of levels of risk are identified and closely monitored on a regular basis.

3.0 Commitment to Risk Management

3.1 Cheshire East Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the council's objectives and deliver core services. It is acknowledged that some risks will always exist and will never be eliminated.

3.2 All officers must understand the nature of the risk and accept responsibility for risks associated with their area of work, including an understanding of how reputation value for the Council is added or

lost. In doing this they will receive the necessary support, assistance and commitment from senior management and Members.

- 3.3 The council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of Members and active participation of managers.

4.0 Benefits of Good Risk Management

- 4.1 Good risk management increases the probability of success, and reduces both the probability of failure and uncertainty of achieving Cheshire East Council's overall objectives.



5.0 Objectives of the Risk Management Approach

- 5.1 The six key objectives of the approach to risk management are to:

- Embed risk management into the ethos, culture, policies and practices of the council.
- Ensure the council successfully manages risks and opportunities at all levels – strategic, operational, programme, project and partnership.
- Manage risk in accordance with all statutory and best practice requirements.
- Ensure that risk management is a key and effective contributor to Corporate Governance and the Annual Governance Statement.

- Ensure that risk management helps to secure efficient and effective arrangements to identify and achieve successful local and national priority outcomes.
- Embed an effective business continuity management framework to provide continuous service delivery in the event of an emergency.

5.2 These objectives will be achieved by:

- Establishing a risk management framework and risk management handbook for employees and Members.
- Clearly defining the roles, responsibilities and reporting lines within the council for risk management.
- Ensuring there is appropriate leadership and monitoring of corporate risks and key corporate project risks.
- Risk management being an integral part of and included in the council's processes, policies and documents, including service and project planning, writing reports and considering decisions.
- Providing advice, guidance, suitable information and training on risk management to employees and Members.
- Maintaining a hierarchy of risk registers, that are regularly reviewed and monitored, to demonstrate the management of risks linked to the council's business, corporate and operational objectives and to working in partnership. Working in collaboration with partners to ensure a joint successful approach to the management of risks.
- Using national and best practice guidelines on risk management and engaging in relevant risk management forums and benchmarking exercises to identify further opportunities for improvement in our approach to risk management.
- Providing opportunities for shared learning on risk management across the council and with other authorities, partners and stakeholders where appropriate.
- Heads of Service completing statements as to the effectiveness, or otherwise, of their systems for identifying, monitoring and managing corporate and operational risks.
- Ensuring that internal audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks will be unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking.
- Preparing and testing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the council's ability to function.
- Identifying and seizing opportunities which risk management provides for the organisation.

6.0 Our Approach

- 6.1 It is essential that a single risk management approach be utilised at all levels throughout the authority. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. The council has closely integrated risk management into its planning and objective-setting process, enabling it to manage its risks in a more consistent, uniform way.
- 6.2 By integrating risk management with the council's strategic planning process and individual service delivery plans we are able to monitor risks to achieving the objectives, determine which risks have the most significant impact, and prioritise resource accordingly. This approach to risk management will inform the council's business processes, including:-

- Strategic planning
- Financial planning
- Service planning
- Policy making and review
- Performance management
- Project management
- Partnership working
- Internal Audit planning

- 6.3 For those with responsibility for achieving objectives, responsibility also lies in identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures will be recorded on the council's risk registers and will be monitored, reported and reviewed by the Corporate Risk Management Group.
- 6.4 Some objectives could be reliant upon external groups that the authority may work with, such as other organisations, partners, contractors etc. This partnership working could affect the achievement of an objective and therefore the risk management process will be incorporated into the way the council works within these partnerships through Partnership Protocols.
- 6.5 The management of risk will become an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision making process.
- 6.6 This will assist Members and Officers to ensure that new risks are detected and managed, by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the authority, a risk management handbook will be prepared, reviewed on an annual basis and reported to the Audit and Governance Committee for approval and adoption.
- 7.0 Risk Appetite / Tolerance**
- 7.1 Understanding and setting a clear risk appetite or tolerance level is essential to achieving an effective risk management framework and should be done before managers consider how to treat risks. Establishing and articulating the risk tolerance level helps to ensure that consideration in the way management, Cabinet and Council respond to risk is consistent and that there is a shared vision for managing risk. There are risks for which the Council is custodian on behalf of the public and the environment, where tolerance levels may be very low, and there may be risks with choices about investment in projects, research and delivery roles, where risk taking may be encouraged.
- 7.2 Cheshire East Council recognises that in pursuit of its objectives it may choose to accept an increased degree of risk. The council will establish and articulate risk tolerance levels for the differing areas of its business. Where the council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.
- 8.0 Roles and Responsibilities**
- 8.1 Responsibility for risk management should run throughout the authority. Clear identification of roles and responsibilities ensure the successful adoption of risk management and demonstrate that

it is embedded in the culture of the organisation. Everyone has a role to play in the risk management process. The council's reporting lines framework is shown on the diagram below:



8.2 A summary of the roles and responsibilities of groups and individuals in relation to risk management is given in the table below:-

Individual or Group	Summary of Role & Responsibilities
Council	Monitors, receives reports and assurance on risk management activity and management of corporate and significant risks. Approves risk appetite / tolerance levels. Approves the risk management and business continuity policies. Approves public statements on internal control and provides assurance on risk management to the public.
Cabinet	Oversees the effective management of risk throughout the council, ensuring officers develop and implement an all encompassing approach to risk management. Responsible for identifying new corporate risks. Monitor the content of the key corporate and significant risk registers and comment on mitigation as appropriate. Ensure that risks are fully considered when making decisions. Consider and endorse the risk management policy and risk appetite / tolerance levels for ratification by Council.
Audit and Governance Committee	Provide independent assurance on the effectiveness of the risk management framework and associated control environment, and independent scrutiny of the council's financial performance. Hold

Appendix A

Individual or Group	Summary of Role & Responsibilities
	Members and officers to account to consider mitigating action for risks and how appropriate / effective it is. Receive regular reports on the management of the top council risks.
Scrutiny Committee	Reviews the portfolios, Cabinet and organisational performance as a whole. Ensure that officers and Members discharge their responsibilities effectively and efficiently including the identification and management of risks.
Portfolio Holder - Lead	To take a strategic lead for risk management in the council, from a Member's perspective, promoting and supporting the development and implementation of the risk management policy and ensuring that Members take risk management into account when making decisions.
Corporate Management Team (CMT)	Responsible for identifying new corporate risks. Gain an understanding and promote the risk management process and benefits, oversee the implementation of the risk management policy and agree any inputs and resources required supporting the work corporately. Manage strategic and cross-cutting risks. Report to elected members on the management of risks. Monitor and consider the mitigating actions for significant new and emerging corporate and operational risks as escalated and reported by the Corporate Risk Management Group.
Corporate Risk Management Group (CRMG)	Assist the Council with the management of risks to achieving its strategic priorities and service delivery by reviewing all matters concerning the development, maintenance and implementation of the council's risk management framework, including monitoring and reporting arrangements. Identify and communicate risk management issues to CMT and services
Internal Audit	Challenge and test the risk management process, including the identification and evaluation of risk and provide independent assurance to officers and Members on the effectiveness of the risk management framework and internal controls. The audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks are unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking. The programme of work is planned annually but constantly reviewed to ensure it remains up to date and appropriate and encompasses a wide range of financial and non-financial risks. The audits are creative, thoughtful and useful pieces of work. They provide robust assurance and offer pragmatic ideas for development.
External Audit	External audit provides feedback to the Audit and Governance Committee on the operation of the internal financial controls reviewed as part of the annual audit.
Section 151 Officer	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.

Individual or Group	Summary of Role & Responsibilities
Risk and Performance Business Continuity Team	The business planning and performance management process is used to set objectives, agree action plans, and allocate resources. Progress and performance towards meeting business plan objectives is monitored regularly, including the control and operational actions to mitigate risk. Receive all the approved top risks from local registers, senior management meetings and governance committees. Act as filters to eliminate duplicates and help with consistency. Collates and coordinates a comprehensive report for presentation to CRMG. Reports back to local level, CMT, Cabinet, Council, Audit & Governance Committee, Scrutiny Committee and Corporate Governance Group. Facilitate regular meetings of Risk Service Area Leads . Share good practice and provide professional support, guidance and training across the council on risk management. Maintain the council's corporate and significant risk registers and the risk management system.
Directors	Ensure that risks are managed effectively in each service area in accordance with the risk management policy and procedure. Nominate and support a risk management representative to represent the Directorate on the CRMG and identify risk service area leads within the Directorate. Identify, analyse and prioritise directorate risks as part of the business planning process. Determine risk management action plans and delegate responsibility and control. Act as filter groups, identify and approve the top council risks, escalating emerging risks where these could have a significant and strategic impact. Consider risk as regular agenda items at DMT meetings reviewing the Directorate risk registers and monitoring progress.
Service Heads and Managers	The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Identify, analyse and prioritise service risks as part of the business planning process. Progress and performance towards meeting business plan objectives is monitored regularly. Ensure that risk is managed effectively in their service area in accordance with the risk management policy and procedure. Produce, test and maintain Service Continuity Plans. Promote risk management and establish training requirements within service areas. Manage significant risks on a daily basis and report on mitigation.
Risk – Service Area Leads	Support the Directorate and Service Teams in maintaining local risk registers. Remind risk owners when risk update reports are required. Provide details of the top risks to the Risk and Business ContinuityPerformance Team. Liaise with Directorate risk representatives to ensure operational and strategic risks are properly managed. Coordinate with the Risk and Business ContinuityPerformance Team and other Risk Service Area Leads to ensure that risks affecting all services are managed cohesively. Align risk registers with relevant partners.
Transformation and Project Managers	Ensure that we are capable of delivering major and complex projects across many of our services and are key to achieving the council's objectives. Identify, analyse and prioritise project risks as part of the project management process. Ensure that project risks are managed effectively, throughout the life of the project, in accordance with the risk

Individual or Group	Summary of Role & Responsibilities
	management policy and procedure. Report on mitigation and effectiveness and escalate project risks that could impact on the achievement of directorate and corporate objectives.
Other specialist risk support services: <ul style="list-style-type: none"> • Insurance • Health & Safety • Climate Change • Legal • Emergency Planning • Human Resources • Environmental • Communications & Media Relations 	Advise Corporate and Directorate Management Teams on policies, procedures and implications of strategic and operational risk decisions. Ensure that risk management is embedded into business planning, operational and performance processes. Seek to develop a shared and consistent corporate approach to risk management so that the council can demonstrate a clear systematic assessment and control of risk. Protect and manage risks to employees and public, Council reputation and financial values.
Planning and Performance Management	The business planning and performance management process is used to set objectives, agree action plans, and allocate resources. Progress and performance towards meeting business plan objectives is monitored regularly, including the control and operational actions to mitigate risk.
Officers	Manage risk effectively in their roles, liaising with their line manager to assess areas of risk and identify new or changing risks.

9.0 Internal Control

9.1 The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the council to respond to a variety of operational, financial and commercial risks. These elements include:-

a. Policies and procedures

Attached to significant risks are a series of policies that underpin the internal control process. The policies are approved by Cabinet and Council and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b. Quarterly reporting

Comprehensive quarterly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Corporate Management Team and Cabinet if appropriate.

c. Business Continuity

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. The council has therefore developed a complimentary policy to the Risk Management Policy on Business Continuity to address this important aspect of risk management and is attached as **Appendix 1** to this Policy.

d. Anti-Fraud and Corruption

The council has an anti-fraud and corruption strategy, which directs the council towards ensuring a professional and ethical approach to combating fraud. As part of the council's anti-fraud and corruption framework, the council also has an anti-money laundering policy, which directs the council towards ensuring a professional approach to combating money laundering.

e. *Whistleblowing*

Cheshire East Council is committed to the highest possible standards of openness, probity and accountability. Employees, Members, contractors, suppliers to or consultants with, the authority are often the first to realise that something wrong may be happening within. The Whistleblowing Protocol is intended to help those who have concerns over any potential wrong-doing within the council.

f. *Audit, Inspectorate and Accreditation reports.*

The Council makes reference to and acts upon the results of the work of the internal and external auditors and on information and recommendations received from other Council feedback mechanisms, including inspectorates, professional bodies and accreditation bodies.

10.0 Document History

Version	Date	Approved by	Minute Ref
V1	17 May 2011 7 June 2011 30 June 2011 5 Sept 2011	Corporate Risk Management Group Corporate Management Team Audit & Governance Committee Cabinet	minute para 39.2 minute Item 5 minute para 10 minute 53
V2	11 May 2012 12 June 2012 28 June 2012	Corporate Risk Management Group Corporate Management Team Audit & Governance Committee	Minute para 7.1

Risk Management Policy - Appendix 1**CHESHIRE EAST COUNCIL - BUSINESS CONTINUITY STRATEGY****1.0 Purpose**

- 1.1 The purpose of this strategy is to clearly outline the Council's commitment to business continuity planning and its links to risk management. In addition it defines and clarifies roles and responsibilities.

2.0 Background and Requirements

- 2.1 The Civil Contingencies Act (2004) (CCA) provides the framework for Civil Protection in the UK, and places a number of duties on Local Authorities regarding preparation for and response to emergencies. Cheshire East Borough Council, as a Category 1 (front-line responder) is required to develop and maintain business continuity plans, so that key functions can continue to be delivered in an emergency. This also involves consideration of the resilience of those organisations on whom the Council relies to maintain key services, including any third parties who provide services on its behalf.
- 2.2 As well as implementing Business Continuity Plans, the CCA also requires Local Authorities to promote and provide general business continuity management advice to commercial and voluntary organisations in the area. This duty aims to enable local businesses to better maintain critical elements of their service and recover more quickly should an incident arise, therefore lessening the economic and social impact on the local community.
- 2.3 Business continuity management (BCM) is a planned process aimed at managing the many and varied operational risks inherent in the day-day activities involved in delivering services, and, therefore, it is an essential element of risk management, helping to create a resilient organisation and one which is able to provide continuous service delivery and effective use of resources. Effective risk management can reduce the likelihood of an incident occurring, whilst business continuity planning can reduce the impact if it does occur. As well as increased resilience, there are many benefits to having to having a structured and consistent BCM process in place:
- Credibility – protecting and enhancing the reputation of Cheshire East Borough Council.
 - Supporting corporate governance and the requirement to produce an Annual Governance Statement
 - Reduced costs – protecting assets, working more efficiently, reducing recovery cost, assurance of third party providers of services (who may be required to demonstrate effective resilience as part of any tender for business), lower insurance premiums, where the Council can demonstrate proactive management of continuity risks.

3.0 Objective of the Strategy

- 3.1 The objective of this strategy is to set out the requirement for Cheshire East Council to take steps to ensure that, in the event of a service interruption, essential services will be maintained and normal services restored as soon as possible. To ensure that this happens, the Council must have in place robust business continuity and service recovery plans that are regularly reviewed and tested. In addition, the Council will promote and provide business continuity advice to local businesses and

voluntary organisations, in order to ensure, in conjunction with the Joint Cheshire Emergency Planning Service, that the Cheshire East region is well prepared for any unforeseen events.

4.0 Implementation and Responsibilities

4.1 Business continuity requires senior management commitment and support, and dedicated resource allocated within the Authority to ensure that plans are developed, maintained, reviewed, and, most importantly, tested, so that they are fit for purpose. It also needs to be built into the change management process to ensure the implications of any change are fully considered prior to implementation and that resilience is built into the project deliverables.

4.2 Because business continuity is an essential element of risk management, it will be managed as part of the Cheshire East Risk Management Policy, and responsibility for its delivery will be incorporated into the roles outlined in the Risk Management Policy.

Members and Portfolio Holder Strategic Lead – ensure an effective Business Continuity Policy is in place.

Cabinet – receive monitoring reports and annual report on the progress of Business Continuity within the Council.

Audit and Governance Committee – provide independent assurance of the adequacy and effectiveness of the Council's resilience as part of the Risk Management framework.

Directors and Chief Officers – ensure the production, communication, review and testing of Business Continuity plans for their Directorate/Services and ensure all staff are fully aware of these plans.

Corporate Risk Management Group – monitor the progress and status of business continuity planning and the Council's level of resilience. Report quarterly to the Corporate Management Team, Cabinet and Governance and Constitution Committee.

~~**Directorate Risk Management Groups** – coordinate the Directorate's business continuity planning response and report quarterly on its progress and status to the Corporate Risk Management Group.~~

~~**Risk and Business Continuity Emergency Planning Team** - Provide training, support, guidance and advice, as well relevant templates and documentation to aid the planning process. Provide support in the coordination and implementation of testing. Liaise with the Joint Cheshire Emergency Planning Team and the Cheshire Local Resilience Forum, to ensure that the Council is aware of and fully incorporated into the regional emergency and continuity planning processes. Lead in the promotion of business continuity planning to local businesses and voluntary organisations.~~

Internal Audit

Provide an independent assessment of the robustness, or otherwise, of the Business Continuity Plans within Services.

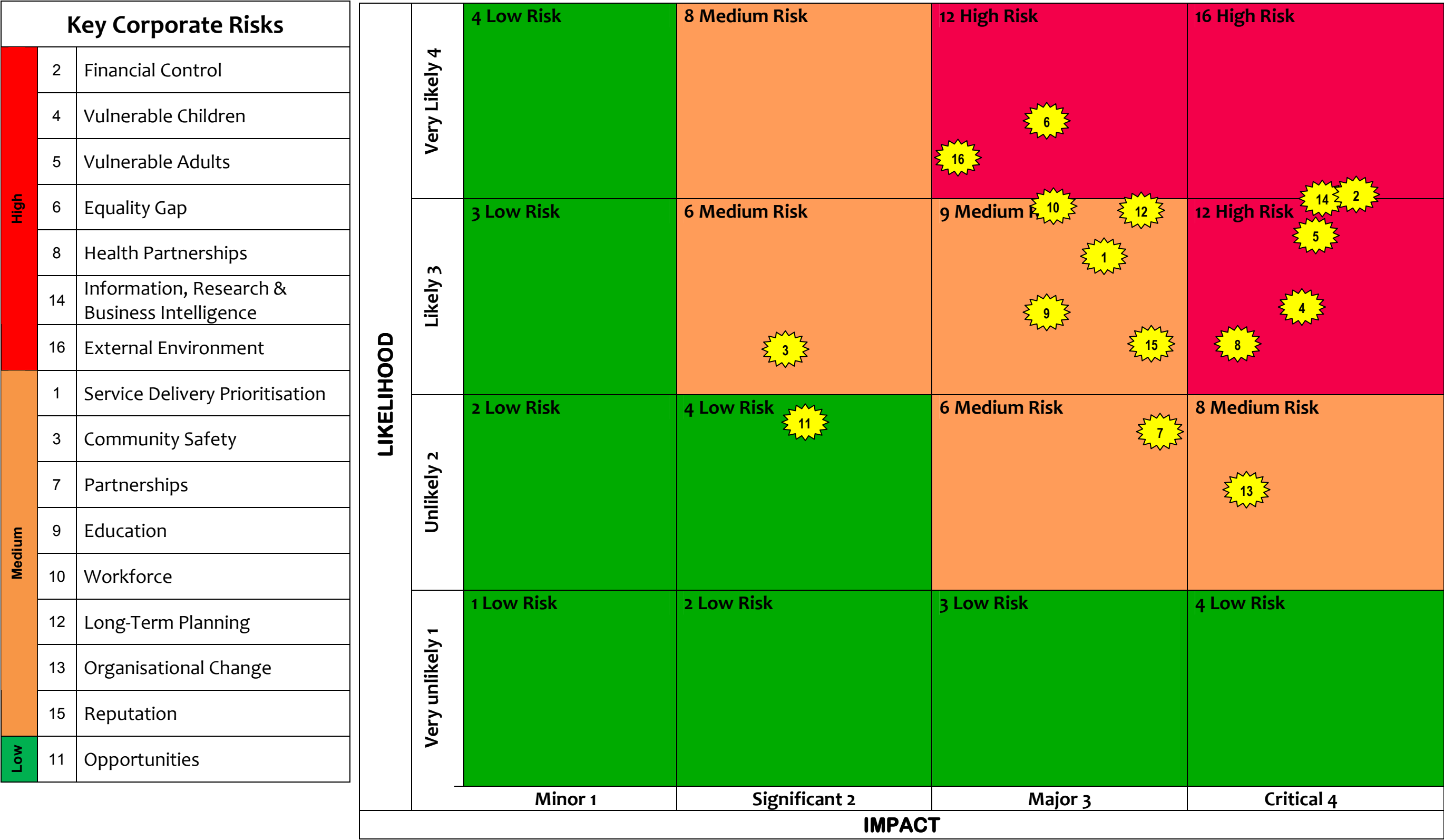
Other members of staff

Ensure that they are fully aware of the Business Continuity Plans for their particular area of work, and take proactive steps to improve resilience wherever possible.

5.0 Developing Plans

- 5.1 **Understanding the operation** – Business impact analyses (BIA) need to take place to identify and agree critical processes or services and the potential damage or loss that may be caused to the Council and the community as a result of a disruption. A BIA must consider the minimum level of staffing, skills and resources required to enable essential services to continue operating at a minimum acceptable level. Following this, risk assessments must be undertaken to identify internal and external threats to the Council, the likelihood of these occurring, and therefore the potential impact.
- 5.2 **Strategies** – strategies must be developed to offset the identified risks, e.g. eliminate single points of failure, implement better controls, etc.
- 5.3 **Developing and implementing plans** – these must be documented and available for use within any type of emergency incident. They must also include ‘stand-by’ arrangements, including accommodation and specialist equipment, as well as IT systems and telecommunications. They need to tie in with plans already in place, such as the Cheshire East Council Major Emergency Plan and the Emergency Rest Centre Plan.
- 5.4 **Building and embedding a BCM culture** – there is a need to have an effective education and awareness programme in place to ensure that all staff are fully aware of the impact of an unforeseen event, and their roles and responsibilities in a recovery situation.
- 5.5 **Exercising, maintenance and audit** – there must be a regular testing programme in place within Directorates and Services, to ensure that the critical components of the plans are exercised.
- 6.0 **Review**
- 6.1 This strategy will be reviewed on an annual basis alongside the review of the risk management policy.

Cheshire East Council Key Corporate Risks – Heat Map (May 2012)



Ref	Risk Description	Ref	Risk Description
KCR1	Service Delivery Prioritisation: Risk that poor management of service prioritisation causes ineffective and inefficient delivery of services such that we fail to achieve our key priorities.	KCR9	Education: Risk that we fail to manage and maintain effective working relationships with all educational settings, resulting in potentially increasing an inability to maintain educational standards or to intervene where necessary. This will impact on our ability to meet our priorities to support our children and young people and nurture strong communities.
KCR2	Financial Control: Risk that the Council fails to manage expenditure within budget and maintain an adequate level of reserves, thereby threatening financial stability and service continuity and preventing the achievement of our key priorities.	KCR10	Workforce: Risk that we fail to retain and motivate an effective and engaged workforce, such that the staffing infrastructure and culture fails to support the Council in delivering and meeting its priorities.
KCR3	Community Safety: Risk that ineffective management of community safety causes poor perception and poor provision of safety, leading to an increase in crime and anti-social behaviour and impacting on our ability to nurture strong communities and enhance Cheshire East communities to feel safe.	KCR11	Opportunities: Risk that we fail to position the Authority to maximise opportunity, resulting in an inability to build up potential, capability and resource to respond to future needs, create conditions for business growth, unlock the potential of our towns and a sustainable future for Cheshire East.
KCR4	Vulnerable Children: Failure to recognise and act accordingly to safeguard and mitigate the risks of significant harm to children, resulting in an inability to meet our priority to support our children and young people	KCR12	Long-Term Planning: Risk that we fail to plan effectively for long term success, threatening the future viability and sustainability of Cheshire East and our ability to achieve our priorities for action.
KCR5	Vulnerable Adults: Failure to recognise and act accordingly to safeguard and mitigate the risks to vulnerable adults, resulting in an inability to improve care and support for those who need it and meet our priority to prepare for an increasingly older population.	KCR13	Organisational Change: Risk that we fail to manage and address the scale of change to effectively and efficiently shape our services, deliver essential benefits and savings, resulting in a possible loss of continual improvement and a possible inability to deliver our key corporate objectives.
KCR6	Equality Gap: Risk that we fail to accurately recognise community needs and/or address those needs by taking the most appropriate action to close the equality gap across Cheshire East, thus preventing us from supporting the community to support itself and meeting our priority to nurture strong communities.	KCR14	Information, Research & Business Intelligence: Risk that we fail to invest in / make effective use of information / business intelligence, which leads to poor decision making, and undermines our ability to effectively and efficiently deliver services to meet our priorities.
KCR7	Partnerships: Risk that we fail to effectively engage with partners (third parties/private sector/voluntary sector) and/or lack the ability to fund partnerships, resulting in lack of service delivery affecting service users, poor reputation, and damage to future engagement opportunities and our ability to work with others to deliver the priorities for Cheshire East.	KCR15	Reputation: Risk that consideration is not given and management action is not taken, to effectively maintain the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to meet our priorities.
KCR8	Health Partnerships: Risk that we fail to integrate with Health partners, resulting in fewer opportunities to maximise health benefits and reduced efficiency gains, and affecting our ability to meet our priority to drive out the causes of poor health.	KCR16	External Environment: That development and changes as a result of government policy and reviews compromise the Council's ability to deliver and meet its priorities.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 28th June 2012
Report of: Director of Finance & Business Services
Title: Work Plan 2012/13
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.0 To present a proposed Work Plan for 2012/13 to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee

- (1) consider the Work Plan for 2012/13 and determine any required amendments;
- (2) note that the plan will be periodically brought back to the Committee for development and approval; and
- (3) review the membership of the specialist Member/Officer Groups.

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.
- 3.2 Separate specialist Member/Officer groups have been set up to deal with specific areas of audit and governance work. Membership of the Audit and Governance Committee has since changed and membership of the specialist groups now requires review.
- 3.3 As agreed at the last Committee meeting, the specialist Member/Officer groups were asked to identify items for inclusion on the work plan.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

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

7.1 When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

8.0 Legal Implications

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

9.0 Risk Assessment

9.1 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an effective audit committee can:

- raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- increase public confidence in the objectivity and fairness of financial and other reporting
- reinforce the importance and independence of internal and external audit and any other similar review process
- provide additional assurance through a process of independent and objective review

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

10.0 Background and Options

10.1 A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities has been attached at Appendix A of this report. The Committee is asked to consider the contents of the Work Plan and establish any additional

agenda items/training/briefing sessions that will enable it to meet its responsibilities.

- 10.2 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 have now been met several times.

11.0 Access to Information

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

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Audit & Governance Committee Proposed Work Plan

Committee Date/Agenda Item	Description
28 June 2012	
External Audit – Progress Report 11/12	External Audit to report progress against their 11/12 Plan.
Financial Statements 11/12 Update	Process and timetable for the approval of the 11/12 Financial Statements.
Draft Annual Governance Statement (AGS) 11/12	Draft AGS 11/12 for comment/agreement; final version to be approved at September meeting.
Internal Audit Annual Report 11/12	Opinion on the overall adequacy and effectiveness of the Council's control environment for 11/12.
Corporate Risk Management Group Annual Report 11/12 & Risk Management Policy Review <i>including Risk Owner Mitigation Plan</i> NEW	First Annual Report of the Corporate Risk Management Group, an update of the Risk Management Policy and attendance by a Corporate Risk Owner to explain their mitigation plan.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
27 September 2012	
External Audit – Annual Governance Report 11/12	Summary of findings from the 11/12 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency & effectiveness in the use of resources.
Annual Report 11/12 NEW	First Annual Report of the Chair of the Audit & Governance Committee to Council (as agreed at Committee in September 2011).
Financial Statements 11/12	Approval of the final 11/12 Financial Statements.
Final AGS 11/12	Final AGS 11/12 for approval.
Governance Framework and Code of Corporate Governance Update NEW	Council's Governance Framework for discussion/agreement and approval of updates to Code of Corporate Governance.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 12/13.
Anti Fraud and Corruption Update	Periodic review of Anti Fraud and Corruption Policy and arrangements against best practice.

**Audit & Governance Committee
Proposed Work Plan**

Committee Date/Agenda Item	Description
Treasury Management Update Report NEW	Update report on Treasury Management.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management, including Business Continuity and attendance by a Corporate Risk Owner to explain their mitigation plan.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
31 January 2013	
External Audit – Annual Audit Letter 11/12	Summary of the External Audit findings from 11/12 audit.
External Audit – Audit Plan 12/13	External Audit's planned work for the audit of financial statements and the value for money conclusion 11/12. Also specifies the level of audit fees.
Financial Statements -12/13 Progress Report	Progress on preparation of the 12/13 Financial Statements.
Internal Audit Interim Report	Progress against the Internal Audit Plan 12/13.
Draft Treasury Management Strategy Report NEW	Consider draft Treasury Management Strategy, before approval by Council in February 2013.
Data Protection and Freedom of Information Update	Update on Data Protection and Freedom of Information issues including volumes of requests and trends.
AGS – Update on 11/12 Action Plan & 12/13 Process	Progress to date on the 11/12 AGS Action Plan and suggested approach for the 12/13 AGS for approval.
Compliance with International Auditing Statements	Report setting out response to External Audit request for information regarding management arrangements for identifying and reporting risk of fraud and complying with the relevant laws and regulations.
Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 11/12	Summary of the complaints received by the Council and also those dealt with by the Local Government Ombudsman about the Council for 11/12.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management, including Business Continuity and attendance by a Corporate Risk Owner to explain their mitigation plan.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.

**Audit & Governance Committee
Proposed Work Plan**

Committee Date/Agenda Item	Description
28 March 2013	
External Audit – Certification of Claims & Returns	Annual report on the issues, amendments and qualifications arising from certification work of grant claims and returns.
Internal Audit Plan 13/14	Approval of risk based Internal Audit Plan for following year.
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process.
Whistleblowing Policy Update	Periodic assurance on effective operation of Whistleblowing Policy.
Risk Management Update Report <i>including Risk Owner Mitigation Plan</i>	Update report on Risk Management, including Business Continuity and attendance by a Corporate Risk Owner to explain their mitigation plan.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
Unallocated Items	
	<i>The following items will be presented to the Committee but have not as yet been allocated to a specific agenda.</i>
Internal Audit Terms of Reference	Update and amendment to Internal Audit Terms of Reference.
Internal Audit Strategy	Update and amendment to Internal Audit Strategy.
	<i>The following items may, subject to requirement, be presented to the Committee.</i>
Insurance	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.
Regulation of Investigative Powers Act (RIPA)	Any potential updates of the requirements of the RIPA legislation and actions to ensure the Council complies.
Anti Money Laundering	Consideration of any updates to the Anti Money Laundering Policy and assurance from management that measures are operating effectively.

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