

Audit and Governance Committee

Agenda

Date: Thursday, 28th March, 2013
Time: 2.00 pm
Venue: The Capesthorne Room - Town Hall, Macclesfield SK10 1EA

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 disclosable pecuniary and non-pecuniary 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 Committee. 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 - 12)

To approve the minutes of the meeting held on 31st January 2013.

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

5. **Certification of Claims and Returns - Annual Report** (Pages 13 - 26)

To consider a report summarising the key findings identified during the external auditor's certification process for 2011/12 specific grant income.
6. **External Audit Plan 2012-13** (Pages 27 - 56)

To consider the Audit Plan for the year ending 31 March 2013.
7. **Internal Audit Plan 2013/14** (Pages 57 - 72)

To receive and approve the Internal Audit Plan for 2013/14.
8. **Audit and Governance Committee Self-Assessment** (Pages 73 - 80)

To consider a report on the results of a self-assessment of the effectiveness of the Audit and Governance Committee.
9. **Whistleblowing Policy** (Pages 81 - 86)

To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2012/13.
10. **Risk Management Update Report** (Pages 87 - 90)

To consider a summary of risk management work undertaken since the previous meeting of the Audit and Governance Committee.
11. **Update on Programme and Project Management and other Compliance Issues** (Pages 91 - 98)

To provide an update on programme and project management and other compliance issues.
12. **Compliance with Regulation of Investigatory Powers Act (2000) (RIPA)** (Pages 99 - 102)

To provide an update on how the Council has complied with RIPA legislation during 2012/13 and the number of RIPA applications which have been submitted and authorised; changes made to the existing RIPA Policy and Procedures to take account of the requirements of the Protection of Freedoms Act 2012; and the forthcoming inspection by the Office of the Surveillance Commissioner.
13. **Work Plan 2012/13** (Pages 103 - 110)

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

THERE ARE NO PART 2 ITEMS

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 31st January, 2013 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

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

In attendance

Councillor K Edwards
Councillor B Moran
Councillor P Raynes

Officers

Kim Ryley, Interim Chief Executive
Vivienne Quayle, Head of Performance, Customer Services and Capacity
Mike Rowan, Interim Borough Solicitor
Joanne Butler, Performance and Risk Manager
Paul Mountford, Democratic Services Officer
Jon Robinson, Internal Audit
Sandra Smith, Customer Relations and Compliance Manager
Neil Taylor, Internal Audit
Joanne Wilcox, Corporate Finance Lead

External Auditor – Grant Thornton

Judith Tench

Apologies

Councillor L Roberts

The Chairman welcomed the Interim Borough Solicitor, Mike Rowan, to his
first meeting of the Committee.

30 DECLARATIONS OF INTEREST

There were no declarations of interest.

31 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public wishing to speak.

32 MINUTES OF PREVIOUS MEETING

With regard to Minute 22, at the Chairman's request, Councillor Marren, who was Chairman of the Community Governance Review Sub-Committee, clarified that briefing seminars were being arranged for prospective candidates for the Crewe parish elections. Once the parish council had been elected, ongoing support for the new council would be provided initially by ChALC and by an Interim Parish Clerk to be appointed by Cheshire East Council.

RESOLVED

That

- (1) the minutes of the meeting of 27th September 2012 be approved as a correct record; and
- (2) for future meetings, details of progress with actions arising from the minutes be included on the agenda.

33 ACTION PLAN ARISING FROM INTERNAL AUDIT REPORT INTO WASTE TRANSFER STATION (LYME GREEN)

The Committee considered progress in implementing the action plan approved at the previous meeting.

The action plan addressed the findings of the internal review to ensure that learning points were fully embedded across the Council as a whole. The Summary action plan attached at Appendix A to the report highlighted that the majority of the agreed actions had been fully implemented and that those with timescales for delivery over the next few months were on target.

With regard to Action C6, it was suggested that the action wording was ambiguous and should be reviewed. With regard to Action C10, it was noted that whilst the specific action had been completed, this would not necessarily reflect the final cost of Lyme Green to the Council.

At the previous meeting, the Committee had asked that Action C5 relating to the monitoring of project costs be amended to provide for its consideration by the relevant Policy Development Group (Minute 17). The officers clarified that the Action would be *offered* to the relevant PDG for consideration.

It was noted that many of the actions within the action plan would be ongoing and that in the circumstances it would be appropriate for the relevant scrutiny committee to be asked to undertake a monitoring role. The Audit and Governance Committee's work would be complete once it was satisfied that appropriate governance arrangements, systems and procedures were in place, for instance with regard to programme and project management and approval of capital schemes. However, it was

recognised that the Audit and Governance Committee had a continuing important overview monitoring and assurance role to ensure that there was proper overall corporate governance and audit as demonstrated in relation to the Lyme Green project.

The Interim Chief Executive commented that there was now a need to restore public trust and confidence in Cheshire East Council. With this in mind, he was preparing a report to Cabinet summarising the findings arising from the confidential report of the Dedicated Independent Person (DIP), and proposing sweeping changes to management roles and responsibilities in order to address cultural and behavioural aspects of the organisation. Officers were also looking at whether there were any governance issues arising from the DIP's report.

RESOLVED

That

- (1) the progress in implementing the action plan be noted;
- (2) an update report on programme and project management be submitted to the next meeting; and
- (3) the Committee consider any further updates on programme and project management.

34 ANNUAL GOVERNANCE REPORT ACTION PLAN - PROGRESS REPORT AND ANNUAL AUDIT LETTER 2011/12

The Committee considered progress with the Annual Governance Report Action Plan as set out at Appendix 3 to the report.

The Annual Governance Report had been presented by the Audit Commission to the Audit and Governance Committee on 27th September 2012. The Council had been issued with a partially qualified opinion on its provision of value for money. The Auditors had concluded that the Council had adequate arrangements for securing economy, efficiency and effectiveness except for weaknesses in its arrangements to develop business proposals and manage significant projects. The AGR had included four recommendations intended to improve the Council's arrangements to secure value for money.

In response to the recommendations, a detailed action plan had been approved by Cabinet on 10th December 2012 and reported to Council on 13th December, together with the Audit Commission Annual Audit Letter. The Letter had provided recognition of the progress already made by the Council in securing value for money this financial year and the strategic and ambitious direction of travel for the future, through a new vision for Cheshire East.

The Interim Chief Executive advised the Committee that the Action Plan contained a set of quite revolutionary changes to the way the Council had operated previously.

RESOLVED

That

- (1) the AGR Action Plan and the positive endorsement on its progress as acknowledged in the Annual Audit Letter be noted; and
- (2) the further improvements put in place to date against the AGR Action Plan be noted.

35 RISK MANAGEMENT UPDATE REPORT

The Committee considered an update report from the Performance and Risk Manager.

It had been agreed that a risk and opportunity workshop be undertaken with Cabinet and the Corporate Management Team in February/March to review the key corporate risks to achieving the Council's objectives and to update the key corporate risk register. It was likely that a number of key risk themes would emerge from the workshop, some of which were highlighted in the report.

At the previous meeting, the Committee had considered the key corporate risk around Financial Control. This risk had since been updated and a summary of the changes was provided in the report.

For this meeting, the Committee had requested a briefing on key corporate risk 15 – Reputation. The current version of the risk stewardship template for this risk was circulated at the meeting. The Interim Chief Executive commented that public opinion surveys showed an inconsistency in the public's views about the Council. Those close to a particular service tended to rate it favourably while criticizing the Council as a whole. While both levels of opinion were important, personal experience of services was generally the most important satisfaction indicator.

RESOLVED

That

- (1) the update report on risk management be noted; and
- (2) a further suitable corporate risk be identified at the next meeting for detailed consideration.

36 EXTERNAL AUDIT UPDATE & AUDIT FEE LETTER 2012/13

The Committee considered the Annual Audit Fee Letter which was attached as Appendix A to the report.

Grant Thornton had been appointed as the Council's external auditors in 2012 following a nationally co-ordinated competitive tendering process.

The Audit Commission had set its proposed work programme and scales of fees for 2012/13. The Council's scale fee for 2012/13 was £205,050, which compared to the audit scale fee of £341,750 for 2011/12, a reduction of 40%.

The Audit Letter also set out the audit planning timetable for the coming year. It was noted that a report on financial resilience would be considered later in the year and that a report on local governance review would be submitted to the next meeting.

The Committee also received a presentation on the new audit arrangements from Judith Tench, Engagement Lead at Grant Thornton. This set out the background and context for the new public sector audit landscape, as well as what had already changed, what would change and what would remain the same. In general, the audit process would feel similar to the previous one but Grant Thornton would add value through wider skill sets and sector experience. Finally, at Members' request, the process and methodology for determining the value for money conclusion was briefly outlined.

RESOLVED

That

- (1) the Annual Audit Fee Letter be noted;
- (2) the presentation from Grant Thornton on the new audit arrangements be received; and
- (3) it be noted that a report on local governance review will be submitted to the next meeting.

37 2012/13 STATEMENT OF ACCOUNTS - PROGRESS REPORT

The Committee considered an update on the preparation of the Statement of Accounts for 2012/13.

The Annual Audit Letter for 2011/12 had reported that the Council had significantly improved its closure of accounts process. The accounts presented for audit had contained no material errors and far fewer other errors than in previous years. Supporting audit trails and working papers were also much better.

The next step would be to consider how the audit support process could be organised to shorten the time taken to undertake the audit. Officers were having regular discussions with Grant Thornton on how best to support the audit process. A Final Accounts Workshop was to be provided by CIPFA Finance Advisory Network and Grant Thornton in February and two members of staff were due to attend.

At the Closure Review meeting, a number of issues had been highlighted to be addressed during 2012/13 as set out in the report.

RESOLVED

That the progress with preparations for producing year end accounts be noted.

38 ANNUAL GOVERNANCE STATEMENT (AGS) - 2012/13 PROCESS AND UPDATE ON 2011/12 ACTION PLAN

The Committee considered a proposed process for the production of the 2012/13 Annual Governance Statement as set out in Appendix A to the report, and an update on progress against the 2011/12 AGS Action Plan as set out in Appendix B.

CIPFA/SOLACE had recently published a revised guidance note, "Delivering Good Governance in Local Government: Guidance Note for English Authorities (2012 Edition)", intended to be used as best practice for authorities in reviewing the effectiveness of their governance arrangements. This would be reviewed and used by the Corporate Governance Group in planning and producing the Annual Governance Statement.

RESOLVED

That

(1) the process for the production of the 2012/13 Annual Governance Statement be endorsed; and

(2) the progress against the 2011/12 AGS Action Plan be noted.

39 TREASURY MANAGEMENT STRATEGY AND MRP STATEMENT 2013/14

The Committee considered the proposed 2013/14 Treasury Management Strategy Statement, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2013/16, as required under Part 1 of the Local Government Act 2003.

The Treasury Management Strategy would also be reported to Cabinet before being presented to Council for approval on 28th February 2013.

A comprehensive review of the capital programme had been undertaken in 2012/13 with the intention of making substantial savings and focussing on initiatives with the highest priority. The key aim had been to realign capital expenditure with corporate priorities; cap the cost of financing the capital programme by reducing the need for future borrowing; create financial and non-financial capacity to enable new schemes to come forward; and reassess business cases, particularly for investment projects.

A balance sheet efficiency review had also been undertaken with the Council's treasury advisors, Arlingclose, to establish the most cost-effective method of financing the capital programme and make adequate provision for the repayment of debt in future years. The methodology for applying capital receipts to finance capital expenditure had also been considered as part of the review.

Within the Treasury Management Strategy, the Council would continue to minimise borrowing by making use of internal balances.

RESOLVED

That the Treasury Management Strategy and Minimum Revenue Provision Statement for 2013/14 as set out in Appendix A to the report be noted.

40 COMPLIANCE WITH DATA PROTECTION ACT (1998), FREEDOM OF INFORMATION ACT (2000) AND ENVIRONMENTAL INFORMATION REGULATIONS (2004)

The Committee considered an update on how Cheshire East Council fulfilled its obligations under Data Protection and Freedom of Information legislation. The report highlighted volumes of requests, trends and current and future issues.

During 2012, a significant amount of training had been delivered and a large number of improvements had been made to policies and processes. In addition, an Information Assurance Framework had been produced and published on the intranet.

RESOLVED

That the arrangements in place to ensure compliance with the legislation be noted.

41 ANNUAL REPORT OF CORPORATE COMPLAINTS AND LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW FOR THE YEAR ENDED 31ST MARCH 2012

The Committee considered a summary of the complaints received by Cheshire East Council and those dealt with by the Local Government Ombudsman about Cheshire East Council for the period 1st April 2011 to 31st March 2012.

RESOLVED

That the report be noted.

42 INTERNAL AUDIT INTERIM REPORT 2012/13

The Committee considered progress against the Internal Audit Plan 2012/13, revisions to the plan and a summary of the work during the second and third quarters of 2012/13.

It was noted that there was still a vacancy for the Head of Internal Audit but that it was appropriate to await the outcome of the current management review.

RESOLVED

That the issues identified in the report be noted, and the approach to achieving adequate audit coverage in the remainder of 2012/13 be endorsed.

43 WORK PLAN 2012/13

The Committee considered an updated Work Plan.

The Committee was asked to note that the Public Sector Internal Audit Standards came into effect on 1st April 2013. CIPFA would provide guidance on the application of the new standards in the form of the Local Government Application Note (due in March 2013). It was therefore the intention to carry out a review of the current Internal Audit Terms of Reference and Internal Audit Strategy against the standards and guidance with a view to bringing a report to the Committee in June 2013.

RESOLVED

That

(1) the changes to the Work Plan since the last meeting be noted;

(2) the Work Plan be amended as follows:

- (a) as agreed earlier in the meeting, references to Lyme Green Action Plan be deleted from future meetings;
- (b) the following be added to the agenda for the meeting in March 2013:
 - Project Management Progress Report
 - Single Legal Entity
 - Training for Standards Assessments and Hearings
- (3) it be noted that the Work Plan will be re-submitted to the Committee periodically for further development and approval.

The meeting commenced at 2.00 pm and concluded at 4.59 pm

Councillor J Hammond (Chairman)

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AUDIT AND GOVERNANCE COMMITTEE

PROGRESS WITH ACTIONS AGREED OR REPORTED
AT THE MEETING ON 31ST JANUARY 2013

REPORTED FOR INFORMATION ONLY

ACTION	PROGRESS
<p>MINUTE 33</p> <p>ACTION PLAN ARISING FROM INTERNAL AUDIT REPORT INTO WASTE TRANSFER STATION (LYME GREEN)</p> <ul style="list-style-type: none"> ▪ With regard to Action C6, it was suggested that the action wording was ambiguous and should be reviewed. ▪ The officers indicated that Action C5 relating to the monitoring of project costs would be offered to the relevant PDG for consideration. ▪ The Interim Chief Executive was preparing a report to Cabinet summarising the findings arising from the confidential report of the Dedicated Independent Person (DIP), and proposing sweeping changes to management roles and responsibilities in order to address cultural and behavioural aspects of the organisation. ▪ Officers were looking at whether there were any governance issues arising from the DIP's report. ▪ An update report on programme and project management would be submitted to the next meeting. 	<p>This is accepted and there is a report on the agenda re developments in programme and project management and other compliance issues</p> <p>This has been actioned</p> <p>The management redesign was approved by Council on 28th February and progress towards implementation is underway.</p> <p>These have been incorporated into the thinking in terms of the management redesign and a further action relating to external training in EU procurement interpretation has been instigated by the Chief Executive</p> <p>This is on the agenda</p>
<p>MINUTE 35</p> <p>RISK MANAGEMENT UPDATE REPORT</p> <ul style="list-style-type: none"> ▪ It had been agreed that a risk and opportunity workshop be undertaken with Cabinet and the Corporate Management Team in February/March to review the key corporate risks to achieving the Council's objectives and to update the key corporate risk register. 	<p>A risk and opportunity workshop was undertaken with Cabinet and Corporate Management Team on 25 February 2013. Corporate risks are in the process of being articulated and agreed for further scoring and documentation of mitigation. These will then be used to update the corporate risk register.</p>

ACTION	PROGRESS
<ul style="list-style-type: none"> ▪ A further suitable corporate risk would be identified at the next meeting for detailed consideration. 	<p>The Corporate Risk Management Group has identified 3 risk areas for the Committee to choose a corporate risk from for detailed consideration at the next meeting. These 3 risk areas are:</p> <ul style="list-style-type: none"> ▪ Strategic Leadership & Management ▪ Commissioning & Service Delivery Chains ▪ Public Health & Wellbeing Transition
<p>MINUTE 36</p> <p>EXTERNAL AUDIT UPDATE & AUDIT FEE LETTER 2012/13</p> <ul style="list-style-type: none"> ▪ A report on local governance review was to be submitted to the next meeting. 	<p>This is to be circulated to members and is referred to in the External Audit Plan report on the March Committee agenda.</p>
<p>MINUTE 37</p> <p>2012/13 STATEMENT OF ACCOUNTS - PROGRESS REPORT</p> <ul style="list-style-type: none"> ▪ A Final Accounts Workshop was to be provided by CIPFA Finance Advisory Network and Grant Thornton in February and two members of staff were due to attend. 	<p>This was attended by two members of the Corporate Finance team on 6th February 2013.</p>
<p>MINUTE 43</p> <p>WORK PLAN 2012/13</p> <ul style="list-style-type: none"> ▪ It was agreed that the following would be added to the agenda for the meeting in March 2013: <ul style="list-style-type: none"> ▪ Project Management Progress Report ▪ Single Legal Entity ▪ Training for Standards Assessments and Hearings 	<p>For reasons notified to members of the Committee, a report on the Single Legal Entity will not now be submitted to the Committee's meeting on 28th March 2013.</p> <p>The Interim Borough Solicitor is liaising with the Member Development Officer to organise scenario-based hearings training. Proposals will come before the Committee for consideration. The timing of this will be discussed with the Chairman.</p>

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting:	28 th March 2013
Report of:	Finance Manager
Subject/Title:	Certification of Claims and Returns – Annual Report
Portfolio Holder:	Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 The report provides a summary of the key findings that have been identified during the external auditor's certification process for 2011/12 specific grant income.

2.0 Recommendation

- 2.1 That the Committee receive and comment on the Grants Certification Report which is attached as Appendix 1.

3.0 Reasons for Recommendations

- 3.1 To ensure that members consider the issues and recommendations raised within the report.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including – Carbon Reduction, Health

- 6.1 None.

7.0 Financial Implications

- 7.1 As covered in the report.

8.0 Legal Implications

- 8.1 None.

9.0 Risk Management

9.1 The risks associated with the findings of this report relate to a position where the Council may not meet the conditions required for grant funding and a financial liability is incurred.

10.0 Background and Options

10.1 The report summarises the findings from the certification of 2011/12 claims. It includes recommendations arising from the auditor's assessment of the Councils arrangements for preparing claims and returns and information on claims that were amended or qualified.

10.2 The report recognises the improvement in the process from 2010/11:

- all claims were submitted by the required dates and all were certified by the audit deadlines;
- there were fewer claims requiring amendments and qualifications in 2011/12.

10.3 The fees associated with the grant certification work in 2011/12 were £54,582.

11.0 Access to Information

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

Name: Joanne Wilcox
Designation: Corporate Finance Lead
Tel No: (01270) 685869
Email: Joanne.wilcox@cheshireeast.gov.uk

Appendix 1 - Certification work report 2011/12



Cheshire East Council

Certification work report 2011/12

January 2012

Contents

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2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2011-12	7
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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 For the 2011/12 financial year, 4 claims were certified relating to Council expenditure of £247 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report, with the exception of Housing Benefits, was completed by the Audit Commission prior to our appointment as the Council's auditors.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time for audit and all were certified by the certification deadlines.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	With the exception of the NNDR3 claim, there were no significant errors identified in our certification work. Testing identified an error in the calculation of the losses in collection in the NNDR3 return. As a result, the Council's contribution to the pool increased by £273,437. We issued a qualification letter on the Housing & Council Tax Benefit claim. Backdated awards had not been correctly identified on the Northgate system.
Supporting working papers	Supporting working papers provided for the claims were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2012

2 Results of our certification work

Key messages

- 2.1 Auditors certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £247 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		8		
Number of claims submitted on time	100%	4	100	5	62	↑
Number of claims certified on time	100%	4	100	7	87	↑
Number of claims certified with amendment	0%	2	50	5	62	↑
Number of claims certified with qualification	0%	1	25	3	37	↑

- 2.3 This analysis of performance shows that:
- all claims were submitted by the required dates, and all were certified by the audit deadlines.
 - there were fewer claims requiring amendments and qualification in 2011/12.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 We charged a total fee of £8,150 for the certification of claims and returns in 2011/12. In addition, your previous auditors the Audit Commission, charged a total fee of £46,432

against an indicative budget of £97,994. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Certification of NNDR3

Testing identified an error in the calculation of the losses in collection in the NNDR3 return. As a result, the Council's contribution to the pool increased by £273,437. Losses were also incorrectly calculated in 2010/11. The Council needs to ensure that losses are calculated in line with DCLG guidance.

Certification of Housing & Council Tax Benefits Subsidy

Testing identified a number of normal awards incorrectly classified as backdated awards. The errors related to the incorrect identification of new claims in Northgate system, with the result that the system had treated them as backdated awards. Backdated awards are included on the subsidy claim for information purposes only and have no impact on the level of subsidy claimed. The Council should ensure that training is provided to staff to ensure that backdated awards are correctly identified on the Northgate system.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	102,860,334	Yes	-33	Yes	57,328	46,654	£38,504 charged by Audit Practice
National non-domestic rates return	124,991,540	Yes	+273,437	No	4,014	3,683	Charged by Audit Practice
Teachers' pensions return	17,813,668	No	N/A	No	2,747	2,621	Charged by Audit Practice
Local Transport Plan	943,379	No	N/A	No	3,001	679	Charged by Audit Practice
Reporting to those charged with Governance						945	Charged by Audit Practice
Total	246,608,921		+273,404		67,090	54,582	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
NNDR3	Calculate losses in collection in accordance with DCLG guidance.	H	Processes now in place to ensure no repetition and that losses are calculated in accordance with guidance.
Housing & Council Tax Benefits	Provide training to staff to ensure backdated awards are correctly identified.	M	Initial instructions provided to all staff on 4th October 2012, clarifying the checks which needed to be undertaken on the claims. This was followed up by discussions at the Assessment Team meetings on 25th & 26th October 2012 to ensure all staff fully understood the procedures to be followed. Work underway to check all claims processed in 2012/13.

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th March 2013
Report of: Finance Manager
Subject/Title: External Audit Plan 2012-13
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

1.1 The Audit Plan for the year ending 31 March 2013 is set out in Appendix 1.

2.0 Recommendation

2.1 That the Committee receive and comment on the Audit Plan for 2012/13.

3.0 Reasons for Recommendation

3.1 The Audit Plan sets out the work that the Council's Auditors, Grant Thornton will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including – Carbon Reduction, Health

6.1 None.

7.0 Financial Implications

7.1 The Audit Plan sets out the audit work specified by the external auditors for the 2012-13 financial statements and the level of audit fees.

8.0 Legal Implications

8.1 None.

9.0 Risk Management

- 9.1 The report sets out the approach of Grant Thornton to completing a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

10.0 Background and Options

- 10.1 Grant Thornton has been appointed as the Council's independent external auditors by the Audit Commission. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 10.2 The Audit Plan outlines the audit strategy and plan to deliver the audit while the audit findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.
- 10.3 The plan also contains a summary of some recent developments in local government finance that may have an impact on how the Council presents or prepares its financial statements. Those emerging issues are contained in the appendix to the plan.
- 10.4 In addition Grant Thornton have recently completed an annual review into local government governance which focuses on both the public face and the behind-the scenes process of governance.
- 10.5 A copy of the report entitled *Improving council governance – A slow burner* will be provided to members of the Committee and provides some practical advice on considerations that will improve the likelihood of achieving best practice in reporting to the public and in ensuring the effectiveness of the governance arrangements that support performance.
- 10.6 Grant Thornton will be attending the meeting to answer any questions raised by members on the Annual Audit Plan.

11.0 Access to Information

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

Name: Joanne Wilcox
Designation: Corporate Finance Lead
Tel No: (01270) 685869
Email: Joanne.wilcox@cheshireeast.gov.uk

Appendix 1: Grant Thornton - The Audit Plan for Cheshire East Council

The Audit Plan for Cheshire East Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

28 March 2013

Judith Tench

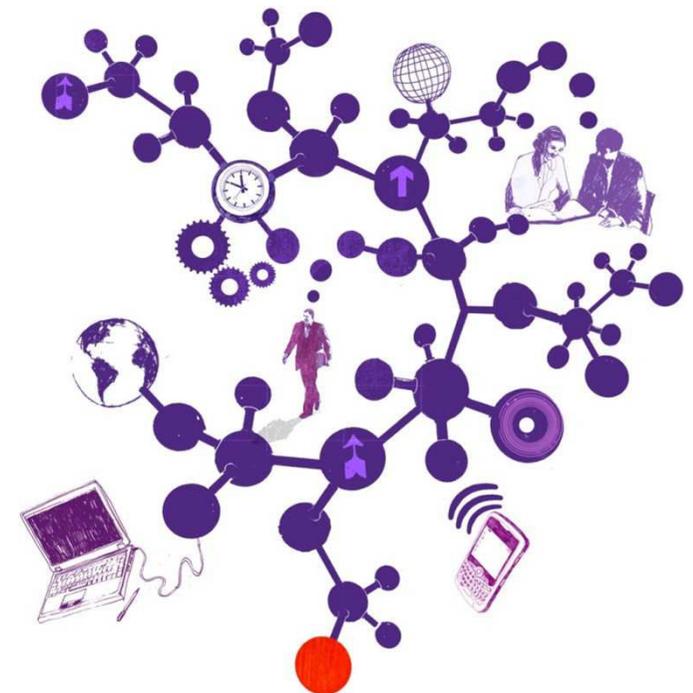
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section

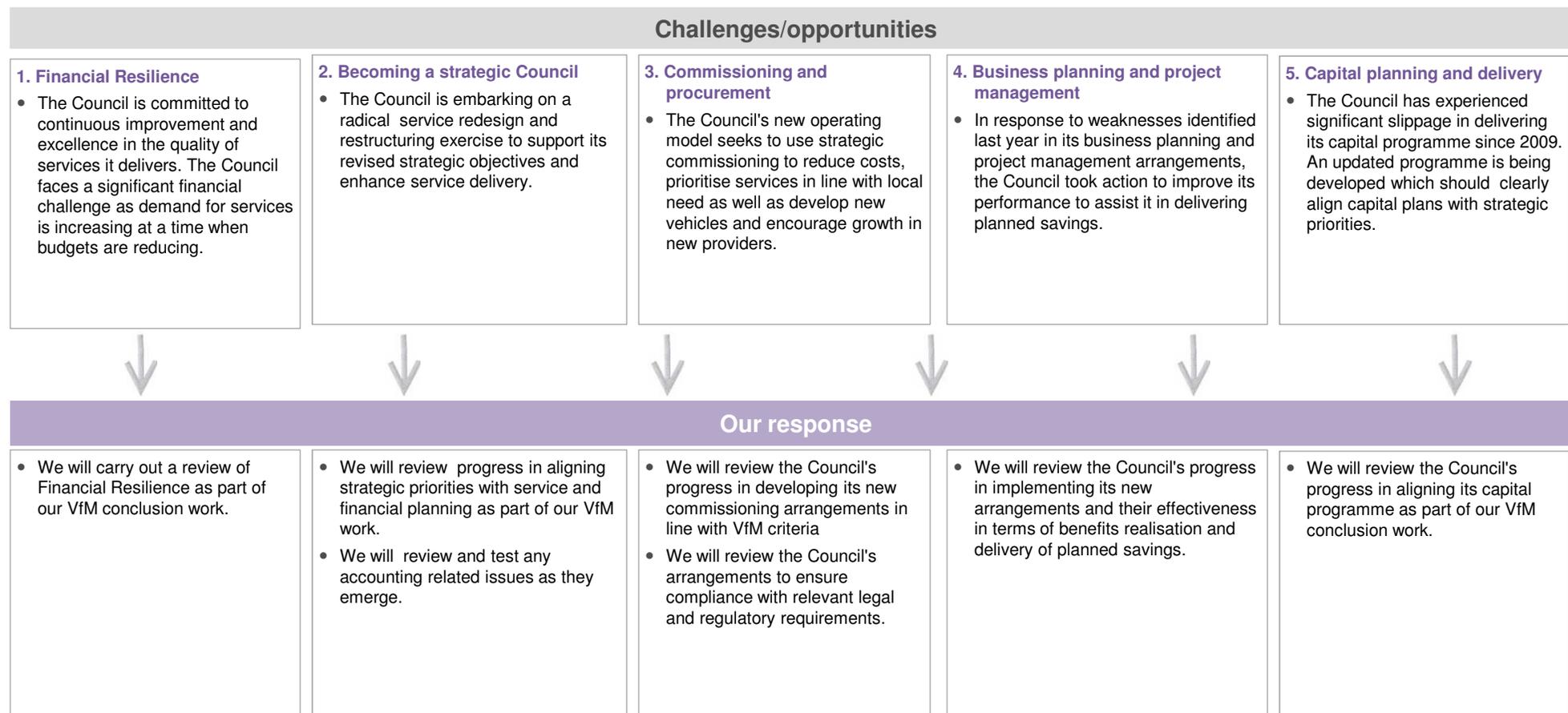
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



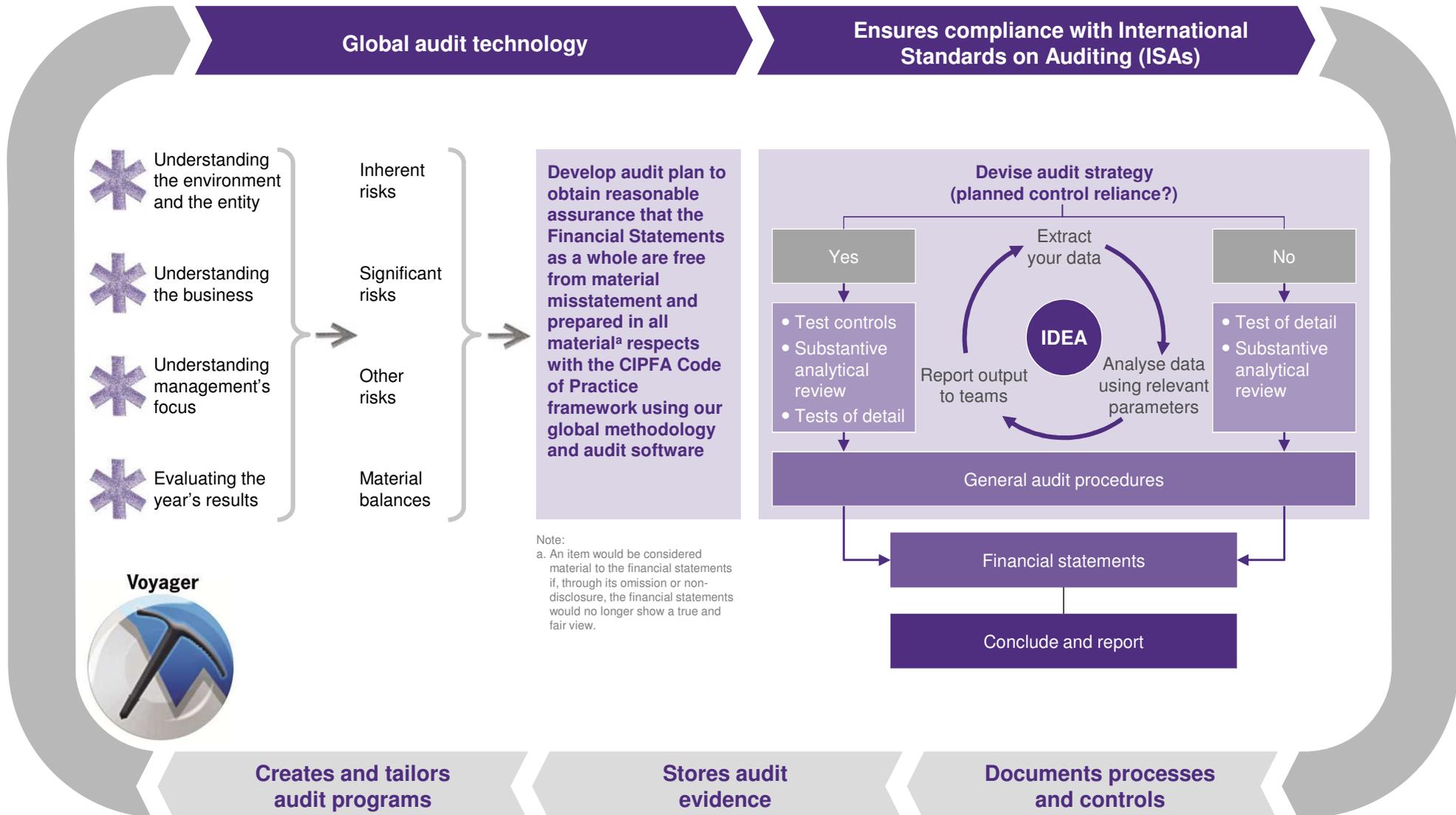
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Transfer of assets to Academies • Recognition of grant conditions and income. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword. 	<p>4. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans. 	<p>5. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS). 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required.

Our response					
<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our review of the accounts close down, QA and timetabling arrangements and substantive testing • schools are accounted for correctly and in line with the latest guidance • grant income is recognised in line with the correct accounting standard. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS and ensuring that systems of management control and oversight have operated effectively throughout the year • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion. 	<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements.

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts.

Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		×
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income ⁹	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	No	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		×
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Completion of entity level control evaluation • Discussions with management re controls in place to prevent or detect fraudulent activities <p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Discussions with management • Review of Internal Audit reports <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Testing of key controls Substantive testing of a sample of payments to suppliers
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Testing of key controls Substantive testing of a sample of invoices to ensure accrued in the correct period
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Testing of key controls Substantive testing of a sample of payments to employees Confirmation that payments Substantive testing of a sample of invoices to ensure accrued in the correct period
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Substantive testing of a sample of claims to ensure benefit has been calculated accurately
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Substantive testing of a sample of additions to ensure capitalised correctly
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> A walk through of the system has been completed confirming expected controls are in place. 	<ul style="list-style-type: none"> Confirmation that asset valuations have been updated and recorded accurately in the accounts

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered: **we consider**

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council. We can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests to be completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	Our walkthrough testing is underway. Any material weaknesses identified from this work will be brought to the attention of officers or the Audit & Governance Committee if required.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Any material weaknesses identified from this work will be brought to the attention of officers or the Audit & Governance Committee if required.
Journal entry controls	We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We will also undertake detailed testing on journal transactions recorded for the financial year, by extracting 'unusual' entries for further review.	Significant matters will be reported at the next meeting of the Audit & Governance Committee.
Opening balances	We reviewed the balances brought on to the general ledger at 1 April 2012 to ensure they are consistent with the audited 31 March 2012 values. This included a check to see that all manual adjustments and all audit adjustments at 31 March 2012 were properly posted to the ledger. We also reviewed the findings of the previous auditor to confirm that reliance can be placed on the balances brought forward from the audited 2011/12 financial statements.	No significant issues were noted and we are satisfied that balances are properly recorded in the general ledger at 1 April 2012.

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Progress update

We have completed the initial VfM conclusion risk assessment. We identified the following areas for further work:

- Financial resilience;
- Council's restructuring and redesign plans;
- Governance & internal control;
- Business and capital planning and delivery
- Commissioning and procurement.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- Review of 11/12 VfM conclusion
- Review of 11/12 Audit Plan to determine whether any significant risks identified
- Review of 2011/12 Annual Governance Report
- Review of 2011/12 Annual Governance Statement
- Any relevant issues identified from our review of minutes review
- Review of key financial reports as part of our assessment of financial resilience to include the quarterly financial monitoring reports
- Consideration of any applicable reports/reviews by other regulators
- Discussion with key officers and members at the Council
- Review of any relevant work or reports of Internal Audit
- Consideration of any Grant Thornton/Audit Commission national reports/themes
- Consideration of risks identified at this stage of the main accounts audit

Logistics and our team

The audit cycle



Date	Activity
February 2013	Planning meeting
February/ March 2013	Interim site work
March 2013	The audit plan presented to Audit Committee
July 2013	Year end fieldwork commences
September 2013	Audit findings clearance meeting
September 2013	Audit Committee meeting to report our findings
September 2013	Sign financial statements and VfM conclusion
October 2013	Issue Annual Audit Letter

Our team

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<p>Andrea Castling Manager T 0161 214 6396 M 0788 456 161 E andrea.n.castling@uk.gt.com</p>	<p>Paul Morgan Assistant T 0161 214 6380 E paul.morgan@uk.gt.com</p>
<p>Ivan Parkhill In-charge accountant T 0161 214 3677 E ivan.parkhill@uk.gt.com</p>	

Fees and independence

Fees

	£
Council audit	£205,050
Grant certification	£41,600
Total	£246,650

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Questions for members to consider:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Have officers reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

CIPFA consultation on Service Reporting Code of Practice 2014/15: Adult Social Care Service Expenditure Analysis (England only)

In January, CIPFA issued a consultation on the proposed changes to the Adult Social Care Service Expenditure Analysis. The proposed changes are for a complete revision to the mandatory lines and these have been based on work done by the Health and Social Care Information Centre.

The closing date for responses was 28 February 2013.

Questions for members to consider:

- Have your officers reviewed the proposed amendments and assessed the potential impact?

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer 'Accounting for joint arrangements by local authorities under IFRS 11' to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Questions for members to consider:

- Have officers considered the impact of these new arrangements?
- Are you clear on the issues arising for the Council?

Emerging issues and developments

Accounting and audit issues

Assets transferring to academy schools

There is ongoing debate as to whether assets relating to schools that have been granted academy status should be:

- impaired to nil at the date of the granting of a transfer order on the basis that the assets will be disposed of for nil value or
- not impaired as the assets are still being used and so should be shown at the balance sheet date at full existing use value.

Our view is that this is a matter for judgement and the financial statements should set out clearly:

- the policy followed by the authority
- details of material assets that are to be transferred out of local authority control.

Where an academy school's assets are subject to a PFI arrangement, the authority may have a potential onerous contract where there is a shortfall in funding ie. where an authority has a PFI contractual agreement to pay out more than it expects to receive back in PFI credits and reimbursement from an academy. If an authority is facing a shortfall between its contractual obligations and the amounts it expects to receive to fund these obligations, the authority should consider whether the contract is onerous. In considering whether or not there is an onerous contract, the authority would need to consider the service it receives.

Questions for members to consider:

- Have officers considered how to account for assets relating to schools that have been granted academy status?
- Have officers considered whether or not there is an onerous contract for PFI contracts relating to academy schools?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Land restoration costs – where a local authority owns a closed landfill site and is responsible for aftercare costs, we would expect the authority to recognise a provision for total future costs. These landfill aftercare costs should also be capitalised and depreciated under IAS 16 'Property, Plant and Equipment' so there is no immediate impact on the General Fund.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Questions for members to consider:

- Has your finance team considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton reports

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Questions for members to consider:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

Emerging issues and developments

Audit Commission reports

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Questions for members to consider:

- Have you considered the findings of the report and any actions required?

'Protecting the public purse 2012'

In November, the Audit Commission published 'Protecting the public purse 2012: Fighting fraud against local government'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Questions for members to consider:

- Have you considered the findings of the report?
- Are there any issues that could relate to your authority and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Other Local government guidance

Broadband Initiative – Rural Broadband Fund

The Government has committed to delivering superfast broadband (24Mbps) accessibility to 90% of UK premises, and a minimum of 2 mbps to the remaining 10% of premises. The Department of Culture Media and Sport (DCMS) has entered into a Framework Agreement with two Suppliers, BT and Fujitsu, for the purposes of delivering this broadband infrastructure.

Local authorities are responsible for utilising the Framework Agreement to procure superfast broadband infrastructure for their areas. DCMS has grouped local authorities in England into circa 40 regions which are undertaking call-off procurements with BT and Fujitsu on a phased basis. Local authorities are therefore at different stages of the process (i.e. pre-procurement, in procurement, or at the award stage). The first local authorities to undertake the call-off process have recently awarded contracts to BT.

There are a number of important financial and commercial issues which local authorities will need to understand, investigate and take action in order to secure and demonstrate value for money. The main issues are:

- Procurement strategy
- Grant agreements
- Financial forecasts
- Milestone payments
- Phasing of roll-out
- Demonstrating value for money

Questions for members to consider:

- Are you happy that officers have identified the financial and commercial issues relating to the delivery of superfast broadband?
- Can officers demonstrate value for money has been achieved?



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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th March 2013
Report of: Head of Internal Audit
Title: Internal Audit Plan 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

1.0 The purpose of the report is for the Committee to receive and approve the Internal Audit Plan for 2013/14.

2.0 Recommendation

2.1 That the approach to internal audit planning be endorsed and the Internal Audit Plan 2013/14 be approved.

3.0 Reasons for Recommendation

3.1 In accordance with the Code of Practice for Internal Audit in Local Government, the Internal Audit Plan is put to the Audit and Governance Committee for approval.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

7.1 The Internal Audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The budget for the Internal Audit function currently provides for staffing levels in accordance with the plan produced.

8.0 Legal Implications

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

9.0 Risk Assessment

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

10.0 Background and Options

- 10.1 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.

- 10.2 In order to comply with the Code, a risk-based audit plan (Appendix A) has been prepared that is put to this Committee for approval, but not direction. The legislation and Code of Practice specifically state that those charged with governance approve the Plan but that this is not in a directing role as the Head of Internal Audit retains the independence and balance of judgement to implement the plan based on their assessment of risk and requirements.

- 10.3 In discharging their duty, Members should consider whether the scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective opinion to the Council on the control environment taking account of whether:

- the level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Code.
- Internal Audit is sufficiently independent of the activities it audits.
- the level of non-assurance work does not impact on the core assurance work.

- 10.4 Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to this Committee.

- 10.5 It should be noted that from 1 April 2013 onwards, new Public Sector Internal Audit Standards will come into force which will supersede CIPFA’s Code of Practice. Once detailed guidance is published, all aspects of service delivery will be reassessed to ensure that there is

proper migration to the new requirements and audit documentation will then be updated to reflect these revised obligations.

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 Managers

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Internal Audit Plan 2013-14

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Internal Audit

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Internal Audit Plan 2013/14

1 Introduction

- 1.1 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 organisation that these arrangements are in place and operating properly.
- 1.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Head of Internal Audit (HIA) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of activity is sufficient to allow the HIA to provide an independent and objective opinion to the Council on the control environment
 - audit activity focuses on areas where assurance is most needed

- 1.4 This document sets out Cheshire East Council's Internal Audit Plan for 2013/14.

2 Responsibilities and Objectives of Internal Audit

- 2.1 Internal Audit is an independent, objective assurance and consulting service designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 Internal Audit aims to:
- "deliver the risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place on the internal control environment, and to make recommendation to improve it."* (Internal Audit Strategy)
- 2.3 The Council's response to audit activity should lead to the strengthening of the control environment.



Internal Audit Plan 2013/14

3 Summary and Process

3.1 The Plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation and recent experience has reinforced this. It is, therefore, presented at a summary level.

3.2 The Plan has been prepared by taking the following into account:

- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- Internal Audit's own risk assessment.
- Cheshire East Three Year Plan 2013/2016.
- Preliminary consultation with key stakeholders (e.g. Corporate Management Team, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit).
- The resources available (see table below):

Audit Year	2013/14	2012/13
Maximum Days	2400	2660
Annual Leave	297	324
Bank Holidays	67	90
Estimated Sickness Leave	47	52
Total Unavailable Working Days	411	466
Available Working Days	1989	2194
Training	55	60
Management & Administration	269	294
Service Development	100	100
Non Chargeable Sub Total	424	454
Chargeable Days	1565	1740

3.3 The Plan will be further defined in the coming weeks, through the following:

- Outcomes from the Strategic Risk Management Process
- Outcomes from the Service Delivery Planning process i.e. key risks identified
- Outcomes from the Annual Governance Statement process



Internal Audit Plan 2013/14

- Further consultation with key stakeholders (e.g. Heads of Service)

3.4 The detailed Audit Plan, when completed, will be shared with the Member/Officer group responsible for Audit.

4 Key Themes and Outputs

4.1 There are a number of key themes emerging within the 2013/14 Internal Audit Plan, including:

- Change programmes – impact on control environment
- Programme and Project Management
- Public Health
- Governance & Assurance Framework – new delivery models

4.2 The output from the plan fall into two main areas:

- **Assurance Audits** - On completion of the audit an opinion report is issued to management on the risks and controls of the area under review, building up to the

annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

- **Consulting Services** - advisory in nature and are generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the overall opinion.

4.3 The main areas of the plan that will deliver an opinion report on the risks and controls of the area under review and will inform the HIA annual Internal Audit Opinion include:

- Key Financial Systems including Shared Services
- Corporate Cross Cutting Systems
- Service Specific Systems
- Working with External Organisations
- Pro Active Anti Fraud – proactive testing of systems and processes



Internal Audit Plan 2013/14

4.4 The main areas of the plan that will not deliver an opinion report but will help inform the HIA's Annual Internal Audit Opinion include:

- **Corporate Governance**
 - Support and contribution to production of the Annual Governance Statement (AGS)
 - Support and contribution to Update Reports to the Corporate Management Team from the Corporate Governance Group
 - Support to the production of Assurance Statements in support of the AGS from Heads of Service
- **Statutory Returns**
 - The Service may be required, as stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body.
- **Anti Fraud & Corruption**
 - National Fraud Initiative – results are recorded on the Audit Commission secure website, update

reports presented to the Corporate Risk Management Group.

- **Follow Up**
 - Targeted follow up of audit recommendations based on audit opinion/recommendation rating resulting in a direction of travel report.
- **Consulting Services**
 - The exact nature and scope of any internal audit work, agreed in advance with the manager.

4.5 Other work that will not necessarily inform the annual HIA opinion includes:

- **Corporate Work**
 - Supporting the Audit and Governance Committee including production of reports
 - External Audit liaison
 - Support and contribution to Corporate Groups
 - Regional Collaboration
- **Anti Fraud and Corruption**
 - At the request of management, Internal Audit may assist with the investigation of suspected



Internal Audit Plan 2013/14

fraud and corruption/reports made under the Council's Whistleblowing Policy

- Awareness raising
- Support and Production to Corporate Policies and Procedures

4.6 In addition, there are a number of developments and improvements to the service that the Internal Audit team has identified and the associated tasks and activities will be built into the planning process. In particular:

- From 1 April 2013 onwards, new Public Sector Internal Audit Standards will come into force. Once detailed guidance is published, all aspects of service delivery will be reassessed to ensure that there is proper migration to the new requirements and audit documentation will then be updated to reflect these revised obligations.

4.7 A Contingency figure has been included because it is recognised that the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. Significant matters that impact upon completion of the plan or require significant changes to it will be brought to the

attention of the Corporate Management Team and the Audit and Governance Committee.

5 Progress Reporting

5.1 During the year, Internal Audit will produce interim progress reports for the Audit and Governance Committee, detailing key issues arising from audits and progress made against the Audit Plan. Any significant matters affecting the delivery of the plan or requiring changes to the plan will also be reported to the Committee.

5.2 At the end of the year, an Annual Report is presented to the Audit and Governance Committee to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This will be based on the findings of the work carried out during the year.



Internal Audit Plan 2013/14

Audit Theme/Area <i>Identified Key Areas</i>	Drivers/Risks	2013/14 Planned Audit Days	2013/14 Planned %	2012/13 Planned Audit Days	2012/13 Planned %
Chargeable Days		1565		1740	
Less: Corporate Work		110		100	
<i>Includes:</i> Audit & Governance Committee - <i>Production of Committee reports, attendance at Committee, support and contribution to Member/Officer Groups</i> Corporate Groups - <i>Support and contribution to Finance Policy Development Group, Corporate Risk Management Group</i> External Audit - <i>Liaison with Grant Thornton</i> Regional collaboration - <i>Working together with CWaC, Halton, Warrington</i> Internal Audit	Statutory requirements/ Service improvement and development				
Available Audit Days		1455	100%	1640	100%
Corporate Governance		60	4%	60	4%
<i>Includes:</i> Annual Governance Statement - <i>Support and contribution to production of AGS, including member training and engagement</i> Corporate Governance Group and Sub Group - <i>Support and contribution to Governance groups and their work programmes</i>	Statutory requirements				
Key Financial Systems		120	8%	100	6%
<i>Includes:</i> Housing Benefits, Council Tax, NNDR, Cash Receipting, General Ledger, Treasury Management - <i>Focus on high risk areas and follow up of previous</i>	Risk of financial mis- statement in the				



Internal Audit Plan 2013/14

Audit Theme/Area <i>Identified Key Areas</i>	Drivers/Risks	2013/14 Planned Audit Days	2013/14 Planned %	2012/13 Planned Audit Days	2012/13 Planned %
<i>recommendations</i> NNDR - <i>Review of new arrangements</i> Council Tax Benefits - <i>Review of new localisation arrangements</i>	Authority's Financial Statements/ New arrangements				
Shared Services (including Key Financial Systems)		115	8%	200	12%
<i>Includes:</i> Payroll/Accounts Payable/Accounts Receivable - <i>Focus on high risk areas and follow up of previous recommendations</i> Separate Legal Entity (<i>dependant on final SLE decision</i>) - <i>Governance, agreements, roles and responsibilities, transitional arrangements etc.</i>	Risk of financial mis-statement in the Authority's Financial Statements/ Potential new SLE arrangements				
Corporate Cross- Service		180	12%	200	12%
<i>Includes:</i> Change Programmes – <i>Impact on control environment</i> Governance and Assurance Framework - <i>Review of Council's arrangements, including new delivery models</i> Programme and Project Management - <i>Review of corporate programme and project management arrangements and review of specific projects</i> Risk Management - <i>Review of arrangements</i> Contract Management - <i>Reviews of specific contracts</i> Insurance - <i>Review of arrangements surrounding the transfer of risk</i>	Key Corporate and Cross Service risks/ Organisational re-design				



Internal Audit Plan 2013/14

Audit Theme/Area <i>Identified Key Areas</i>	Drivers/Risks	2013/14 Planned Audit Days	2013/14 Planned %	2012/13 Planned Audit Days	2012/13 Planned %
Procurement follow up - <i>Review of implementation of 12/13 recommendations</i> Delegated Decisions and Non Compliances - <i>Review of process</i> Declarations of Interest and Third Party Disclosures - <i>Review of process</i>					
Children, Families and Adults		240	17%	300	18%
<i>Includes:</i> Care Management - <i>Review of end to end process from initial contact to the provision of the service</i> External Provider Contracts - <i>Adult Residential Care inspection and monitoring arrangements</i> Adult Financials - <i>New system</i> Direct Payments - <i>Allocation of Personal Budgets</i> Client Finance - <i>Review of new arrangements for appointeeships/deputyships.</i> Children's Placements - <i>External Provider Contracts</i> Schools Financial Value Standard (SFVS) - <i>Schools visits reviewing robustness of self assessments</i> Establishment visits - <i>Various, based on risk and coverage to date</i>	Key Departmental and Service Risks				
Public Health		40	3%	-	-
<i>Includes:</i> <i>Review of public health commissioned services or commissioning arrangements</i>	New functions				
Places and Organisational Capacity		120	8%	140	9%
<i>Includes:</i>					



Internal Audit Plan 2013/14

Audit Theme/Area <i>Identified Key Areas</i>	Drivers/Risks	2013/14 Planned Audit Days	2013/14 Planned %	2012/13 Planned Audit Days	2012/13 Planned %
Programme and Project Management - <i>Review of Directorate programme and project management arrangements</i> Planning - <i>Review of process, including income collection arrangements</i> Highways Contracts - <i>Review of arrangements and specific contracts</i> Waste Contracts - <i>Review of arrangements and specific contracts</i> Corporate Landlord - <i>Review of Property Management function and Corporate Landlord approach</i> Carbon Reduction - <i>Compliance with Carbon Reduction Commitment (CRC)</i> Energy Efficiency Scheme	Key Departmental and Service Risks				
Working with External Organisations		50	4%	50	3%
<i>Includes:</i> Superfast Broadband - <i>Review of arrangements and statutory return</i> Growing Places Fund - <i>Review of arrangements and statutory return</i> Local Transport Body - <i>Review of arrangements</i>	CEC as Accountable Body/Host Authority				
Anti Fraud and Corruption		180	12%	200	12%
<i>Includes:</i> General Policy & Procedure - <i>Review and development of existing and new policy and procedures</i> Whistleblowing - <i>Awareness raising</i> National Fraud Initiative - <i>Participation in annual NFI exercise</i> Proactive anti-fraud - <i>Review of Expenses, Data matching etc.</i>	Statutory requirement (NFI)/ Fraud trends				



Internal Audit Plan 2013/14

Audit Theme/Area <i>Identified Key Areas</i>	Drivers/Risks	2013/14 Planned Audit Days	2013/14 Planned %	2012/13 Planned Audit Days	2012/13 Planned %
Reactive investigation - <i>Undertaken after appropriate risk assessment</i>					
Other Areas		330	23%	390	24%
Consultancy and advice - <i>Nature and scope will be agreed with client/service</i>	Add value and improve Council's governance, risk management and control processes	100	7%	150	9%
Contingency - <i>Reactive work arising in year</i>	Flexibility to Council's changing needs	190	13%	200	12%
Follow up - <i>In line with Follow Up Policy</i>	Targeted follow up of audit recommendations	40	3%	40	3%
External Work		20	1%	-	-
PATROL - <i>Annual Internal Audit and assurance work</i>	CEC is host authority				
Total Audit Days		1455	100%	1640	100%

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th March 2013
Report of: Audit Manager
Title: Audit and Governance Committee Self-Assessment
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.0 The purpose of this report is to facilitate compliance with the Accounts and Audit Regulations 2011 and, consequently, it advises Members on the results of a self assessment of the effectiveness of the Audit and Governance Committee using the CIPFA publication '*Audit Committees – Practical Guidance for Local Authorities (Appendix A)*'.

2.0 Recommendations

- 2.1 That the Committee

(1) consider the self-assessment and determine any required amendments; and

(2) note that the detailed outcome of the review of the system of Internal Audit will be considered by the Committee as part of the Annual Governance Statement (AGS) approval process.

3.0 Reasons for Recommendations

- 3.1 Regulation 6 of the Accounts and Audit Regulations 2011 requires the authority to conduct an annual review of the effectiveness of its system of internal audit.
- 3.2 The effectiveness of the system of internal audit should include the effectiveness of the audit committee itself (to the extent that its work relates to internal audit), as well as the performance of the internal audit provider.

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 No specific financial implications.

8.0 Legal Implications

8.1 As detailed in the report.

9.0 Risk Assessment

9.1 Failure to review and report on the Committee's effectiveness could result in improvement opportunities being missed and in non compliance with the Accounts and Audit Regulations 2011.

10.0 Background and Options

10.1 The process for conducting the review of the effectiveness of the Council's system of internal audit, which was agreed with the Audit and Governance Committee in January 2013 includes a self -assessment against the following relevant internal audit standards:

- the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
- Audit Committees – Practical Guidance for Local Authorities CIPFA

10.2 As with the AGS, the completion of the review of the system of internal audit will be carried out by the Corporate Governance Group with input from the Section 151 Officer and Monitoring Officer. The detailed results of the overall review will then be reported to this Committee for consideration as part of the AGS process. Prior to this it is important that Members are satisfied that the self-assessment of the Committee's effectiveness has been completed correctly.

10.3 It should be noted that from 1 April 2013 onwards, new Public Sector Internal Audit Standards will come into force which will supersede CIPFA's Code of Practice. Once detailed guidance is published, all aspects of service delivery, including this process, will be reassessed to ensure that there is proper migration to the new requirements and audit documentation will then be updated to reflect these revised obligations.

11.0 Access to Information

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

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Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee 2012/13

Issue	Yes	No	Partial	Comment
Terms of Reference				
Have the committee's terms of reference been approved by full council?	✓			Approved as part of Constitution. Terms of Reference updated in 2011/12 to include requirement to submit an annual report to full Council.
Do the terms of reference follow the CIPFA model?	✓			Based on <i>Audit Committees – Practical Guidance for Local Authorities</i> , CIPFA 2005.
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme?	✓			Internal Audit Strategy approved in Sept 2009, with update in Nov 2010. Updated version scheduled to be taken to Committee in June 2013 based on new Public Sector Internal Audit Standards (agreed at January 2013 Committee). Audit plans approved annually – 2012/13 Plan approved in March 2012.
Is the work of internal audit reviewed regularly?	✓			Annual Internal Audit Opinion report received in June 2012. Interim reports received in Sept 2012 and Jan 2013.
Are summaries of quality questionnaires from managers reviewed?	✓			Results of questionnaires reported in interim reports for 2012/13 and will be reported in annual report.
Is the annual report, from the head of audit, presented to the committee?	✓			Annually to support production of the Annual Governance Statement (AGS). Last reported in June 2012.
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the committee?			✓	External Audit reports: June 2012 – Audit Committee Update Report, Sept 2012 – Annual Governance Report 11-12, Jan 2013 – External Audit Update & Audit Fee Letter 2012/13. Reports of other inspection agencies e.g. OFSTED do not go to the Audit & Governance Committee but summaries of key issues are presented to the appropriate Scrutiny Committee.

Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee 2012/13

Issue	Yes	No	Partial	Comment
Does the committee input into the external audit programme?			✓	As is normal practice, the external audit 2012/13 plan has been prepared following consultation with Council Officers and will be presented at the March 2013 Committee meeting for the Committee to receive and comment on. Although Members do not directly input into the 'core' audit programme, as this is set by the Audit Commission, there is the opportunity to influence work outside this. Update reports from external audit are regularly brought to the Committee.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	✓			Officers are asked to provide an update report on progress of any actions arising from the previous Committee meeting e.g. Progress on implementing the Statement of Accounts Action Plan was reported to the Committee in Jan 2013, and is discussed at the appropriate specialist Member/Officer Group.
Does the committee take a role in overseeing: <ul style="list-style-type: none"> • Risk management strategies • Annual Governance Statement • Anti-fraud arrangements • Whistle-blowing strategies? 	✓ ✓ ✓ ✓			Review of Policy in June 2012. Update reports at each meeting. Approved 11/12 AGS in Sept 2012, Process for 12/13 AGS and update on 11/12 AGS action plan in Jan 2013. Reviewed in September 2012. Review of Policy in June 2011. There are also Annual update reports (latest is March 2013).
Membership				
Has the membership of the committee been formally agreed and a quorum set?	✓			There are ten members on the Committee and the quorum has been set at three.
Is the chair free of executive or scrutiny functions?	✓			

Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee 2012/13

Issue	Yes	No	Partial	Comment
Are members sufficiently independent of the other key committees of the council?	✓			The Chair and Vice Chair are free of executive and scrutiny responsibilities.
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			The Committee considered training requirements against the CIPFA Better Governance Forum (BGF) recommendations in Sept 2010 and training requirements are considered at each subsequent Committee as part of the Work Programme/Plan. Induction sessions have been delivered each year to new Committee Members and a series of training sessions have been delivered around the IFRS, AGS, Risk and Customer Complaints. In January 2012, five specialist Member/Officer Groups were set up; these meet regularly as a way of individual Members becoming more involved in specific areas of audit and governance work and developing in-depth knowledge and expertise. All Members of the Committee receive the regular BGF newsletters for Audit Committee members and the Chair has also recently attended the BGF 'Influential Audit Committee' seminar.
Can the committee access other committees as necessary?	✓			Best practice states that the Audit Committee should report direct to the governing body i.e. full Council. In October 2012, the first annual report of the Audit & Governance Committee was submitted to full Council.
Meetings				
Does the committee meet regularly?	✓			The Committee meets at least 4 times a year. Other meetings are programmed, where necessary.
Are separate, private meetings held with the external auditor and the internal auditor?	✓			External Audit: meetings are held where necessary. Internal Audit: There are a combination of Member/Officer Group meetings and pre-Committee briefings.
Are meetings free and open without	✓			

Self-assessment Checklist – Measuring the Effectiveness of the Audit Committee 2012/13

Issue	Yes	No	Partial	Comment
political influences being displayed?				
Are decisions reached promptly?	✓			
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			There has been a continuing conscious effort to make Committee reports more concise to aid preparation. A review of the Work Programme is planned to ensure appropriate frequency of updates.
Does the committee have the benefit of attendance of appropriate officers at its meetings?	✓			Wide ranging number of officers regularly attend to address various matters on agenda. In addition, the Committee has also invited managers to attend to address specific issues e.g. Strategic Risk Owners.
Training				
Is induction training provided to members?	✓			See response under 'Membership' regarding the assessment of members' skills and experiences.
Is more advanced training available as required?	✓			As above.
Administration				
Does the authority's s151 officer or deputy attend all meetings?	✓			S151 Officer or deputy normally attends all meetings.
Are the key officers available to support the committee?	✓			Key officers i.e. Internal Audit, Finance, Legal, Democratic Services, External Audit attend all meetings. Other officers will attend as and when appropriate to present specific reports.

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 28th March 2013
Report of: Interim Borough Solicitor
Title: Whistleblowing Policy
Portfolio Holder: Councillor J P Findlow

1.0 Report Summary

- 1.1 To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2012/13.

2.0 Recommendation

- 2.1 That the Committee note the report and endorse the proposed actions for the ongoing review of the Council's whistleblowing arrangements.

3.0 Reasons for Recommendation

- 3.1 In June 2011 this Committee received and endorsed an updated Whistleblowing Policy following a review of the document against the *Whistleblowing Arrangements Code of Practice Publicly Available Specification 1998:2008*. This Policy was formally approved by Council in July 2011.
- 3.2 The Audit and Governance Committee is responsible for overseeing the Council's Whistleblowing arrangements and, therefore, needs to be provided with periodic updates on the effectiveness of these arrangements. This is the second such update following a report to the 27 March 2012 meeting of this Committee.

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 Unless employees have confidence in the Council's Whistleblowing arrangements, they are likely to stay silent where there is a threat to the employer or the wider public interest. Such silence denies the organisation the opportunity to deal with a potentially serious problem before it causes real damage. The costs of such a missed opportunity can be great in terms of fines, compensation or higher insurance premiums.

8.0 Legal Implications

8.1 The Public Interest Disclosure Act 1998 protects employees against detrimental treatment or dismissal as a result of any disclosure of normally confidential information in the interests of the public. The Act only covers protected disclosures under six categories, namely; crime, illegality, miscarriage of justice, damage to health and safety, damage to the environment, and 'cover-ups' about these issues.

8.2 To obtain protection, employees must first disclose the information to the employer or to a body prescribed by the Secretary of State for the purposes of receiving such information. A list of the prescribed bodies is available on the Government's website, along with a Guide on the Act.

8.3 The Council introduced its Whistleblowing Policy in line with the requirements of the Act.

9.0 Risk Assessment

9.1 Without clear arrangements which offer employees safe ways to raise a whistleblowing concern, it is difficult for an organisation to effectively manage the risks it faces.

10.0 Background and Options

10.1 Employees are often the first to realise that there may be something seriously wrong within an organisation. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the organisation. They may also fear harassment or victimisation as a result of doing so.

10.2 In order to mitigate this risk, the Council has a Whistleblowing Policy that is intended to encourage and enable all staff to raise serious

concerns within the organisation, rather than ignoring or failing to act on something that could be a significant problem or risk.

- 10.3 The Public Interest Disclosure Act (PIDA) provides that employers should not victimise any worker who “blows the whistle” in one of the ways set out in the legislation. Although there is no statutory requirement in the PIDA for organisations to have a whistleblowing policy, the Government expects public bodies to have a policy in place and the whistleblowing schemes in local authorities in England are assessed regularly as part of their external audit and review.
- 10.4 Furthermore, it should also be noted that, under PIDA, the adequacy of an organisation’s whistleblowing arrangements is one of the factors that tribunals and courts look at when they consider whether a wider public disclosure is protected under the legislation.
- 10.5 Finally, and importantly, regulators and the courts are increasingly looking at the adequacy of whistleblowing and other risk management arrangements, to determine whether an offence has been committed by an organisation under regulatory or criminal laws, and is also a factor when determining the level of fine or penalty for such an offence.
- 10.6 It is, therefore, important to regularly review the effectiveness of the Council’s Policy, to ensure that it remains compliant with best practice and is effective in meeting its purpose. To this end, the policy has been subject to regular review since it was first presented to Members for approval in October 2008.
- 10.7 In reviewing the effectiveness of the Council’s whistleblowing arrangements, it is important to consider both the volume and substance of reports that have been received. The difficult question that arises is whether a low number of reports is a good or bad thing. There is no easy answer to this, as much depends upon the size of the organisation, the risks faced by it, the robustness of the control environment in place to mitigate these risks, and the awareness of and confidence that staff have in the arrangements.
- 10.8 No matter how robust these arrangements are, it is impossible to know to what extent staff concerns go unreported, but the existence of some reports is evidence that the policy is understood and used.
- 10.9 During 2012/13, a total of 6 whistleblowing reports were received by Internal Audit, which can be broken down as follows:
 - 2 did not fall under the scope of the policy and were therefore referred to the appropriate service/organisation for action;
 - 1 was unsubstantiated following investigation, although the concern was found to have been raised in good faith; and

- 3 which were investigated and resulted in remedial action being taken within the service in question. This included one case where disciplinary action was taken against a member of staff.
- 10.10 This represents a 50% reduction in the total number of reports when compared to those received in 2011/12, but there was also a corresponding reduction in incorrect referrals from 6 in the previous year to 2 for 2012/13, and a reduction in the number of unsubstantiated reports from 4 to 1.
- 10.11 A more important consideration than simply the volume of reports received is the substance of those reports, as even a single well founded concern received over a number of years can more than justify maintaining the whistleblowing arrangements
- 10.12 It is pleasing to note that all of the concerns raised were as a result of what appears to be genuine unease on the part of our staff, and that sufficient information was provided to allow for an investigation to be carried out in each case. There is no evidence that staff failed to report concerns because of fear that it would be detrimental to them.
- 10.13 In order to ensure that the Council's arrangements are effective, it is important to identify best practice and compare the arrangements in place against this.
- 10.14 During February 2012, Internal Audit attended an event organised by CIPFA and the National Fraud Authority entitled 'What's New in Fraud?' Whistleblowing was discussed during one of the learning sessions and it was stated that best practice in this area is currently provided by the *Whistleblowing Arrangements Code of Practice Publicly Available Specification 1998:2008* which was produced by the British Standards Institute in conjunction with Public Concern at Work.
- 10.15 This document aims to ensure that organisations have in place Whistleblowing arrangements which:
- enable staff to distinguish whistleblowing from grievances;
 - enable staff to raise a concern outside of line management;
 - signpost staff to an independent helpline offering confidential advice;
 - offer staff the right to confidentiality when raising a concern;
 - explain when and how a concern may safely be raised outside the organisation (e.g. with a regulator); and
 - provide that it is a disciplinary matter to;
 - a) victimise a bona fide whistleblower, and
 - b) maliciously make a false allegation.
- 10.16 Authorities were advised to review their policy against this document to ensure that they have effective arrangements in place, which is an

exercise that Internal Audit carried out during 2010/11. This provided assurance that the current policy was developed in line with best practice prior to its adoption by Members and inclusion as part of the Council's constitution in July 2011.

10.17 In summary, there is clear evidence that the Council's Whistleblowing arrangements remain in line with best practice and, as such, no changes are proposed at this time. It is, however, acknowledged that, in order to ensure that the arrangements remain effective, further review work should be carried out during 2013/14. This should include a survey of staff awareness of and views on the arrangements.

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:	28 th March 2013
Report of:	Performance and Risk Manager
Subject/Title:	Risk Management Update Report
Portfolio Holder:	Councillor David Brown

1.0 Report Summary

- 1.1 This is a summary of risk management work undertaken since the previous meeting of 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. The purpose of this report is to provide the Audit and Governance Committee with a summary of recent risk management work so that it may undertake this oversight.

2.0 Recommendation

- 2.1 That the Audit and Governance Committee note and comment on the update report on risk management, which is for Members' information.

3.0 Reasons for Recommendation

- 3.1 Risk management is central to good governance and effective strategic management. 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. Risk Management provides a structured, consistent and continuous process across the whole of Cheshire East Council for identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of the Council's 3 Year Plan objectives and outcomes.
- 3.2 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. This in turn gives confidence to both Members and staff to support a higher appetite for risk, at a time when major change is necessary and desirable.

4.0 Cheshire East Council 3 Year Plan – Corporate Risk Update

- 4.1 Setting out the Council's vision and medium term priorities as part of the 3 Year Council Plan brings us new risk challenges and opportunities. Cabinet and Managers will have a significant challenge in ensuring that the vision, culture

and organisational structure are fully aligned, as the Council works as one to increase efficiency and undertake major change programmes to innovate as effectively and cost efficiently as possible. At a time of considerable and constant change, when managers are dealing with many competing demands, it is possible to miss the risks that arise suddenly or unexpectedly. Risk identification and assessment is therefore an integral part of the development of our 3 Year Council planning processes. Consideration and response to existing and new threats, and the ability to recognise and seize new opportunities, is fundamental to achieving the future outcomes that we want.

4.2 At the end of February, Cabinet and the Corporate Management Team (CMT) undertook a risk and opportunity workshop and began to review the key corporate risks to achieving the Council's objectives and outcomes. The workshop included a refresher presentation on the principles of risk management. This included a reminder that the definition of risk concerns possible future events (both threats and opportunities) which may adversely, or beneficially, affect the Council's ability to achieve its objectives. The presentation provoked discussion around risk appetite and the maturity of the Council in dealing with risk.

4.3 Risk maturity is the extent to which a robust risk management approach has been adopted and applied, as planned, by management across the Council to identify, assess, decide on responses to, and report on opportunities and threats that affect the achievement of the Council's objectives. The range of risk maturity of an organisation is illustrated in the table below and starts from risk naive through to risk enabled. Cabinet and CMT agreed that the Council should strive to consistently reach the level of maturity of risk managed, as a minimum standard. At present, the level of risk maturity for Cheshire East is judged to be between risk aware and risk defined which gives a good foundation to further embed risk management and improve the quality of risk identification.

Risk Naive	Risk Aware	Risk Defined	Risk Managed	Risk Enabled
No formal approach or processes developed for risk management, avoidance and lack of engagement.	Scattered silo based approach to risk management using standalone processes, reactive approach.	Risk appetite defined. Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers.	Enterprise approach to risk management developed and communicated, risk embedded in key processes. Active engagement and risk based decision making.	Risk management and internal controls fully embedded into the operations. Regular review and improvement of risk processes, fully committed to risk management and confident risk taking.

4.4 Working in groups and using the 3 Year Plan outcomes, priorities and draft objectives as a starting point, Cabinet and CMT identified key risks and opportunities that may impinge on their delivery. The findings were recorded and work has begun to properly articulate the risks, assess and agree the most significant of these, allocate ownership, determine the response and management controls, and to transfer this information to an updated key corporate risk register. Titles of some of the risks are included at the end of this report to give the Audit and Governance Committee an indication of some of the risk areas. Once we fully understand the Council's risk exposure, further work will be undertaken to determine the Council's risk appetite, so that qualitative high level statements of risk preferences can be defined for business areas. This work will need to take account of our new management structures, when they are in place.

5.0 Other Risk Work

5.1 The Risk Manager has been working alongside the Programme Management Office to provide advice and guidance on risk management, as part of the Council's new project and programme management methodology. Risk registers are included as part of the standard templates for project managers.

5.2 Risk register templates are also included as part of the standard planning documentation for Business Units, as part of the 3 year planning for unit areas. Advice and guidance on this has been made available on the Centranet for managers and staff.

6.0 Wards Affected

6.1 All

7.0 Local Ward Members

7.1 N/A

8.0 Policy Implications

8.1 Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective implementation are considered within service risk registers and as part of the risk management framework.

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

9.1 There are no financial implications in relation to this report. However, a risk around financial control is included as a key corporate risk on the corporate risk register.

10.0 Legal Implications (Authorised by the Borough Solicitor)

10.1 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.

11.0 Risk Management

- 11.1 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 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

12.0 Background and Options

12.1 Risk Titles

External Risk Areas	Strategic Risk Areas	Operational Risk Areas
Political Environment	Strategic Leadership & Management	Contract, Project & Programme Management Skills
Managing Expectations	Financial Control	Fraud
Legal Challenge	Evidenced Decision Making	Commissioning & Service Delivery Chains
Maximise Public Sector Partnership Effort	Reputation	Prevention & Early Intervention
	Local Development	Vulnerable Care
	Public Health & Wellbeing	
	Workforce Capacity & Capability	

13.0 Access to Information

13.1 Risk Management Policy

The updated Risk Management Policy was approved by Cabinet at its meeting on 20 August 2012.

- 13.2 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 March 2013
Report of: Head of Performance, Customer Services and Capacity
Title: Update on Programme and Project Management and other Compliance Issues
Portfolio Holder: Councillor Barry Moran

1.0 Report Summary

- 1.1 The purpose of the report is to provide an update on programme and project management and other compliance issues.
- 1.2 There have been two previous action plan/progress reports to this Committee on this topic, following the findings of an internal audit review. In accordance with the Committee's request at its January 2013 meeting, this report provides an update on further action taken in response to those issues previously reported.
- 1.3 The Council is committed to an open and transparent way of working and has put significant emphasis on improving systems as a result of the review. This report provides an update from the last meeting and highlights those actions now implemented, those in progress and on target for completion shortly and also the current and upcoming forms of assurance work in those areas (see Appendix 1).

2.0 Recommendation

- 2.1 That the Committee note
 - (1) that all agreed actions have now been implemented or are in progress and on target to be implemented in the coming weeks; and
 - (2) that the new arrangements described will now fall under the Council's normal governance and performance monitoring and reporting frameworks.

3.0 Reasons for Recommendations

- 3.1 To provide assurance that all the planned actions to improve the Council's working practices have been put in place or will be so shortly.

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

7.1 Staffing resources are constantly being reviewed in these areas. To date, required resources have been achieved within budget, although some realignment has taken place in order to achieve prompt implementation.

8.0 Legal Implications

8.1 There are no specific legal implications arising from this report.

9.0 Risk Assessment

9.1 Implementation of the planned actions is required to mitigate risks around non achievement of outcomes, financial control and reputational risk.

10.0 Background and Options

10.1 The internal audit review which was reported to Members in June 2012 raised a number of findings around programme and project management and other compliance issues. There have since been two action plan and progress reports to this Committee relating to improved working practices as highlighted by the review.

10.2 It was agreed at the January 2013 Committee meeting that a further report be presented to this meeting, as an update on the programme and project management and other compliance Issues which were still in the process of being completed.

10.3 In future, the new arrangements described in this report will be covered by the Council's normal performance monitoring and reporting framework. Assurance on the robustness of the relevant systems and processes forms part of the overall governance framework of the Council, the effectiveness of which is reviewed as part of the Annual Governance Statement process.

11.0 Access to Information

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 685859

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Update on Programme and Project Management & Other Compliance Issues

Programme and Project Management

Actions already implemented

- A Projects Register has been set up which gives visibility on all projects and programmes (capital, revenue and grant funded).
- There is a Gateway model (as per Constitution) in place to provide assurance and controlled start up of projects. This has been established since August 2012 and involves the Executive Monitoring Board (EMB) and Technical Enabler Group (TEG). Monthly meetings of these groups are now held to review, challenge and give endorsement for all new major projects and programmes. EMB also oversee the monthly monitoring of major projects and programmes as well as commission health checks, as required.
- There is a Corporate Programme Management Office (PMO) in place which monitors programmes and projects and provides guidance. It also runs and supports EMB/TEG.
- An external provider has been procured to provide programme and project management training for Senior Responsible Owners and Project/Programme Managers. The training is mandatory for all officers who are accountable for programme/projects and/or are managing projects and/or are part of a project team.
- There have been numerous briefings since November 2012 to: Informal Cabinet, Corporate Management Team, Directorate Management Teams and other stakeholder groups.
- Corporate Management Team has completed a skills audit for officers involved in programmes and projects.
- Nominees for the programme and project management training are in place and courses running throughout March to June 2013. The standard, corporate Project Management Framework, in the form of a Handbook, detailed documentation and associated templates, including business cases, is now fully complete has been agreed by the Cabinet Portfolio Holder and the Corporate Management Team, and will be formally launched on 1st April 2013. This is endorsed by the Leader and the Interim Chief Executive personally, and their support and commitment is demonstrated by the foreword in the Handbook'

Actions in progress and on target for completion

- A monthly monitoring process is being launched on 1st April 2013, including a monthly highlight report, which will be submitted to PMO for inclusion on Project Register. This process will encompass financial, programme and quality monitoring, and risk and benefit management.
- A wide ranging review of Planning Enforcement has been carried out. A number of recommendations have been discussed with the Task & Finish Group, with a report to follow submitted for Portfolio Holder support. Significant work has been undertaken relating to the availability of information through the use of technology and this should be implemented through April 2013.

Update on Programme and Project Management & Other Compliance Issues

Assurance work

- A Healthcheck system is being developed, with the involvement of Internal Audit, to give assurance on projects.
- An internal audit to provide assurance on the robustness of the project management arrangements, and the extent to which Finance and Contract Procedure Rules and specific management instructions have been complied with within the Assets Service has recently been completed and a draft report is due to be issued shortly.

Other Compliance Issues

Actions already implemented

- Changes to the Council's Contract Procedure Rules have been made and the Constitution updated.
- A revised process for CMT to consider all Delegated Decisions and Non Compliances has been fully operational since July 2012.
- A review of Oracle approval limits against Schemes of Financial Delegation to ensure consistency and appropriateness has taken place.
- A wide variety of targeted Contract Procedure Rules and procurement training and advice has been provided, and continues to be provided, across the Council including:
 - Corporate Procurement training module on intranet.
 - 'How to procure up to £75k' training course
 - 'Using the Chest' training course
 - Procurement Advisor events
 - Specific supplier training events
 - Procurement surgeries
 - Regular Procurement Bulletins, 'Team Talk' items, Procurement Knowledge Map available on intranet.

Actions in progress and on target for completion

- A review of cross cutting corporate policies has been undertaken by the Corporate Governance Group to enable a central list to be set up on the intranet. This will prompt review by owners, avoid duplication and move towards a consistent format and help roll-out of communication of any changes in policy. The next stage is to identify the existing guidance and available training for each policy.
- Further specialist training on the application of Finance and Contract Procedure Rules and EU Procurement Rules is planned over the next month or so for relevant managers, and for the Cabinet and CMT.

Assurance work

- A recent internal audit has been carried out on Schemes of Officer and Financial Delegation and a draft report sent to management for comment.
- A report on Delegated Decisions and Non Compliances was brought to the September 2012 Committee and subsequently the appropriate member/officer working group considered specific examples. In addition, the Internal Audit Plan 2013/14 contains a review in this area.

Update on Programme and Project Management & Other Compliance Issues

- As part of the Annual Governance Statement 2012/13 process, all Heads of Service will be required to complete Assurance Statements which involves confirming numerous control statements e.g. 'Service Schemes of Delegation (Financial and non financial) are maintained to ensure they are up to date throughout the year. Schemes are current as at 31st March 2013'.

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-CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th March 2013
Report of: Head of Performance, Customer Services and Capacity
Subject/Title: Compliance with Regulation of Investigatory Powers Act (2000) (RIPA)
Portfolio Holder: Councillor David Brown

1.0 Report Summary

1.1 This report provides an update on:

- how the Council has complied with RIPA legislation during 2012/13 and the number of RIPA applications which have been submitted and authorised.
- changes made to the existing RIPA Policy and Procedures to take account of the requirements of the Protection of Freedoms Act 2012.
- the forthcoming inspection by the Office of the Surveillance Commissioner.

2.0 Recommendation

2.1 That the Committee note the contents of the report in respect of the numbers of applications, actions taken to update the RIPA Policy and Procedures, the forthcoming visit by an Inspector from the Office of the Surveillance Commissioner, and the current arrangements in place to ensure that the Council complies with the legislation.

3.0 Reasons for Recommendations

3.1 In order to form an opinion on the Council's compliance with this legislation, the Audit and Governance Committee needs to gain assurance that there are effective arrangements in place to record, co-ordinate and authorise requests for directed surveillance, and that the Council complies fully with the requirements of RIPA legislation in so doing.

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Carbon reduction - Health

Using RIPA powers can conflict with an individual's human rights, and so it is imperative that, when investigating wrongdoing, certain conditions are met in each case, in order that successful prosecutions can be made.

By following the authorisation procedures set out in RIPA legislation and outlined in the Council's Policy and Procedures (Surveillance under the Regulation of Investigatory Powers Act 2000 – Policy and Procedures – 1st November 2012), officers are demonstrating that the surveillance is necessary for a purpose permitted by the Human Rights Act 1998 and that it is a proportionate measure to take, given all the circumstances.

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

7.1 Failure to comply with the legislation can lead to the Office of the Surveillance Commissioner withdrawing the Council's ability to conduct directed surveillance for a period of time, which would then result in a follow up inspection. This would have a detrimental impact on the Council's ability to carry out investigations.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 The legal implications arising from the primary and secondary legislation referred to in this report are contained within the body of the report, including measures to ensure compliance, and the importance of ensuring compliance.

9.0 Risk Management

9.1 The impact on the Council of not complying with the legislation would be significant, as identified above in 7.1.

10.0 Background and Options

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a regulatory framework to enable public authorities to obtain information through the use of certain covert investigatory techniques. The Protection of Freedoms Act 2012, which came into force on 1st November, 2012, requires public authorities to acquire judicial approval to use covert surveillance techniques. It also restricts the use of surveillance to the investigation of offences which attract a custodial sentence of six months or more.

10.1 Compliance with RIPA Legislation and changes made to existing RIPA policy and procedures

The Council will, on occasion, need to use directed surveillance in order to carry out its enforcement functions effectively, e.g. benefit fraud, planning enforcement, licensing enforcement, trading standards, environmental health

and community safety investigations. Directed surveillance is essentially covert surveillance in places open to the public. Using RIPA powers can conflict with an individual's human rights, and so it is imperative that, when investigating wrongdoing, certain conditions are met in each case, in order that successful prosecutions can be made. In particular, RIPA requires that covert techniques are only used when it is necessary and proportionate to do so. All covert surveillance must be properly authorised and recorded, the tests of necessity and proportionality must be satisfied, and the potential for collateral intrusion must be considered and minimised.

All applications must be authorised by an Authorising Officer; for local authorities, this role is restricted to the Chief Executive and Directors. In the case of the Council, the Head of Human Resources and Organisational Development is also an Authorising Officer. The Head of Legal and Democratic Services is not an Authorising Officer, as he/she assumes responsibility as the Monitoring Officer for the integrity of the process and procedures, to ensure that the council complies with the requirements of the legislation.

The existing RIPA Policy and Procedures were revised with effect from 1st November 2012 to take account of the new requirements following the implementation of the Protection of Freedoms Act 2012 (i.e. additional approval by a Justice of the Peace and restrictions regarding the investigation only of offences attracting a custodial sentence of six months or more). They were submitted to and approved by Corporate Management Team on 30th October 2012 and by Cabinet in December 2012.

10.2 Access to Communications Data – use of National Anti Fraud Network

The Regulation of Investigatory Powers (Communications Data) Order 2010 currently sets out which organisations can access communications data and for what purposes. The Council is limited to accessing only service user and subscriber data i.e. the 'who', 'when' and 'where' of a communication but not the actual content. The Council is required to nominate a Single Point of Contact (SPOC), who needs to be an accredited person, to ensure that data is obtained lawfully and to facilitate access to the data with the communications service providers. The SPOC may be an employee of the Council or an externally appointed person. It was recommended to and approved by Corporate Governance Group on 11th October, 2012 that the Council should use the SPOC service provided by the National Anti-Fraud Network. The changes to the procedures were subsequently incorporated into the revised RIPA Policy and Procedures (1st November, 2012) which were submitted to and approved by Corporate Management Team and Cabinet, as outlined above.

10.3 Numbers of applications authorised

Thirty-eight RIPA applications have been authorised since 1st April 2009:

2009-2010	1
2010-2011	9
2011-2012	10
2012- 2013 to date	<u>18</u>
	38

The Council has applied to access communications data on six occasions (3 in 2011/12 and 3 in 2012/13); NAFN (National Anti-Fraud Network) have acted as SPOC (Single Point of Contact) for the Council for the cases this year.

Numbers of applications were low in the early years of Cheshire East Council as the enforcement teams were still being established. Numbers have increased in 2012/2013, in part because there has been a particular focus on cybercrime.

10.4 Forthcoming visit by an Inspector from the Office of the Surveillance Commissioner

Notification has been received from the Office of the Surveillance Commissioner that the Council is to be inspected on 2nd May 2013. Inspections are normally conducted on a biennial basis. The Council was last inspected on 11th May 2010, following which there were no recommendations. At that time we had made little use of RIPA powers, but it was considered by the Inspector that we had 'put in place policies, procedures, guidance and training 'of the highest order''. Preparations are currently underway for the forthcoming visit.

- 10.5** It is proposed that, following the response to the Inspection, a further report is submitted to the Audit & Governance Committee, outlining the Inspector's findings and recommendations.

11.0 Access to Information

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

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 28th March 2013
Report of: Audit Manager
Title: Work Plan 2012/13
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

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

2.0 Recommendation

2.1 That the Committee

(1) consider the Work Plan and determine any required amendments;

(2) note the changes to the plan since it was last discussed in January 2013; and

(3) note that the plan will be periodically brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

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

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

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

8.0 Legal Implications

- 8.1 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. In doing so it should be noted that the following changes have been made to the programme that was discussed in January 2013:

March 2013 (Additional Items)

- External Audit Plan – this was deferred from the January Committee

- Update on Programme and Project Management and Other Compliance Issues – at the request of Committee

Unallocated

- Training for Standards – at the request of Committee

10.2 It should be noted that although a draft agenda for the June Committee has been included further discussion in the specialist Member/Officer groups is necessary in order to draft a Work Programme for 2013/14.

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
Work Plan**

Committee Date/Agenda Item	Description
31 January 2013	
Action Plan arising from Internal Audit Report into Waste Transfer Station.	The Committee considered progress in implementing the action plan approved at the previous meeting. It was resolved that progress be noted and that an update report on programme and project management be submitted at the next meeting, addressing any minor issues not completed as part of the January update.
Annual Governance Report Action Plan – Progress Report and Annual Audit Letter 2011/12	The Committee considered progress with the Annual Governance Report Action Plan. The Committee noted the AGR Action Plan and the positive endorsement on its progress in the Annual Audit Letter and the further improvements put in place to date.
Risk Management Update Report	The Committee noted the update report on risk management and resolved that a further suitable corporate risk be identified at the next meeting for detailed consideration.
External Audit Fees and Audit Fee Letter 2012/13	The Committee considered the Annual Audit Fee Letter and received a presentation on the new audit arrangements.
2012/13 Statement of Accounts – Progress Report	The Committee considered and noted an update report on the preparation of the Statement of Accounts for 2012/13.
Annual Governance Statement (AGS) – 2012/13 Process and Update on 2011/12 Action Plan	The Committee endorsed the process for the production of the 2012/13 AGS and noted the progress against the 2011/12 AGS Action Plan.
Treasury Management Strategy and MRP Statement 2013/14	The Committee noted the Treasury Management Strategy and Minimum Revenue Provision Statement for 2013/14.
Compliance with Data Protection Act (1998), Freedom of Information Act (2000) and Environmental Information regulations (2004)	The Committee noted the arrangements in place to ensure compliance with the legislation.
Annual Report of Corporate Complaints and Local Government Ombudsman's Annual for the Year Ended 31 March 2012	The Committee noted a summary of the complaints received by Cheshire East Council and those dealt with by the Local Government Ombudsman.
Internal Audit Interim Report 2012/13	The Committee considered progress against the Internal Audit Plan, noted the

**Audit & Governance Committee
Work Plan**

Committee Date/Agenda Item	Description
	issues identified and endorsed the approach to achieving adequate audit coverage in the remainder of 2012/13.
Work Plan	The Committee considered and noted the updated Work Plan. Changes to the plan are noted in the main body of this report.
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.
External Audit Plan NEW	To receive and comment on the external auditor's plan which sets out the work for the 2012/13 audit.
Internal Audit Plan 13/14	To consider and approve the risk based Internal Audit Plan for 2013/14.
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process.
Whistleblowing Policy Update	Periodic assurance on the effective operation of the Council's Whistleblowing Policy.
Risk Management Update Report	Update report on the Council's Risk Management process.
Update on Programme and Project Management and Other Compliance Issues NEW	Update report on Programme and Project Management.
Regulation of Investigative Powers Act (RIPA)	Any potential updates of the requirements of the RIPA legislation and actions to ensure the Council complies.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.
27 June 2013	
External Audit – Progress Report 12/13	External Audit to report progress against their 12/13 Plan
Draft Statement of Accounts 12/13 Update	Process and timetable for the approval of the 12/13 Draft Statement of Accounts
Draft Annual Governance Statement (AGS)	Draft AGS 12/13 for comment/agreement; final version to be approved at

**Audit & Governance Committee
Work Plan**

Committee Date/Agenda Item	Description
12/13	September meeting.
Internal Audit Annual Report 12/13	Opinion on the overall adequacy and effectiveness of the Council's control environment for 12/13
Corporate Risk Management Group Annual Report 12/13 & Risk Management Policy Review <i>including Risk Owner Mitigation Plan</i>	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.
Compliance with International Auditing Statements	To comply with International Auditing Standards, each year the Council's External Auditors are required to refresh their understanding of how the Audit and Governance Committee gain assurance over management processes and arrangements.
Internal Audit Terms of Reference and Strategy	Results of a review of the current Internal Audit Terms of Reference and Internal Audit Strategy against the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance.
Work Plan	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities
	<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.
Anti Money Laundering	Consideration of any updates to the Anti Money Laundering Policy and assurance from management that measures are operating effectively.
Training for Standards Hearings NEW	Hearings training for panel members.

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