

Audit and Governance Committee

Agenda

Date:	Thursday, 26th June, 2014
Time:	2.00 pm
Venue:	Committee Suite 1,2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ

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

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

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any 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 total period of 10 minutes is allocated for members of the public to address the Committee 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 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 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.

It is not required to give notice of the intention to make use of public speaking provision, however, as a matter of courtesy, a period of 24 hours notice is encouraged.

For requests for further information

Contact: Cherry Foreman

Tel: 01270 686463

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4. **Minutes of Previous meeting** (Pages 1 - 8)

To approve the minutes of the meeting held on 27 March 2014.

5. **Grant Thornton - Emerging Issues Briefing** (Pages 9 - 26)

To note the Emerging Issues briefing report.

6. **Arrangements Review for Breaches of Members Code of Conduct** (Pages 27 - 60)

To consider revised arrangements for dealing with standards allegations under the Localism Act 2011.

7. **Internal Audit Annual Report 2013/14** (Pages 61 - 82)

To consider the report of the Internal Auditor, and to note the opinion, for 2013/14.

8. **Annual Report 2013/14 on Risk Management** (Pages 83 - 110)

To consider the report of the Corporate Risk Management Group, and to approve minor changes to the Risk Management Policy.

9. **Draft Annual Governance Statement 2013/14** (Pages 111 - 134)

To consider the draft Annual Governance Statement.

10. **Draft Pre-Audit Statement of Accounts 2013/14** (Pages 135 - 144)

To note the pre-audit statement of accounts, the surplus generated and the new earmarked reserves.

11. **Whistleblowing Policy** (Pages 145 - 162)

To note the report, endorse the proposed actions for the ongoing review, and to approve the proposed amendments to the Whistleblowing Policy.

12. **Work Plan 2014/15** (Pages 163 - 186)

To note the Terms of Reference approved by Council on 14 May, to consider the work plan for the current municipal year, and to review the membership of the specialist Member/Officer Groups.

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 27th March, 2014 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

Councillors S Corcoran, R Fletcher, M Hardy, S Hogben, A Kolker, D Marren and B Murphy (as a substitute).

Councillors in attendance:

Councillors K Edwards, P Hoyland, B Moran, P Raynes and A Thwaite.

Officers in attendance:

Anita Bradley – Head of Legal Services and Monitoring Officer
Lorraine Butcher – Executive Director of Strategic Commissioning
Joanne Butler – Performance and Risk Management
Julie Gibbs – Senior Compliance and Data Protection Officer
Jon Robinson – Audit Manager
Neil Taylor - Audit Manager
Judith Tench – Head of Corporate Resources and Stewardship
Alex Thompson – Corporate Manager Planning and Performance
Cherry Foreman – Democratic Services Officer

External Auditor (Grant Thornton)

Allison Rhodes and Jon Roberts

55 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor L Roberts.

56 DECLARATIONS OF INTEREST

With reference to agenda item 13 (Alternative Service Delivery Vehicles Governance and Stewardship) Councillor M Hardy declared a personal interest by virtue of being a member of the Board of Everybody Sport and Recreation, the Council's Leisure Trust. Councillor S Hogben declared a personal interest by virtue of being a member of the board of ANSA (Waste Management Services) and Councillor D Marren declared a personal interest by virtue of being a member of the Board of Orbitas (Bereavement Services).

57 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

58 MINUTES OF PREVIOUS MEETING

In considering the minutes the Committee was informed that an addition was to be made to Minute 45 (Internal Audit Interim Report 2013/14) to confirm that at

the meeting it had been agreed to introduce a performance indicator to monitor the implementation of audit recommendations within agreed timescales. Also, in recommendation 1 of Minute no 53 (Proposed Governance, Stewardship and Control Arrangements for Alternative Service Delivery Vehicles) the word 'arrangements' was changed to 'principles' to reflect the change made at the meeting to the title of Appendix A.

RESOLVED

That the minutes be approved subject to the amendments detailed above.

59 INFORMING THE RISK ASSESSMENT FOR CHESHIRE EAST COUNCIL

This report was introduced by Jon Roberts of the External Auditors, Grant Thornton, who noted that it was the first time the information had been presented to the Committee in this format. In order to comply with International Standards on Auditing (UK and Ireland) it was necessary to have an understanding of management processes and also of the Committee's oversight in the areas of fraud, laws and regulations, going concern, accounting estimates and related party transactions. A number of questions relevant to these areas had, therefore, been posed and the Committee was asked to consider whether the management response given was consistent with its own understanding and also if there were any comments it wished to make.

Members asked a number of questions with regard to fraud and risk management and were informed that the Corporate Risk Management Group had recently combined the indicators for bribery, fraud and corruption; the risk assessment form was to be updated and circulated for use and the Committee would be advised if any trends became apparent. It was reported that a new programme of member development was currently being planned.

RESOLVED

That it be confirmed that the management response to the questions posed by the External Auditor are consistent with the understanding of the Committee.

60 EXTERNAL AUDIT PLAN 2013/14

Allison Rhodes of Grant Thornton introduced the External Audit Plan for the year ending March 2014. The plan set out the work to be carried out as part of the statutory audit on the Council's financial statements and arrangements for securing value for money (VFM). The annual work programme was set in accordance with the Code of Audit Practice issued by the Audit Commission. Its findings would be issued prior to approval of the financial statements and would contain the key issues arising from the audit together with an explanation of how they had been resolved.

Members asked a number of questions in respect of financial reporting, the Better Care Fund, risk of fraudulent transactions, operating expenses and accounting for welfare benefits. The breadth of work included within the audit of VFM was discussed and it was reported that the establishment of the Council's Alternative Service Delivery Vehicles would be included in this area of work. The audit would also include the partnership working between the Council and the NHS.

RESOLVED

That the report be noted.

61 EXTERNAL AUDIT - EMERGING ISSUES UPDATE

Allison Rhodes of Grant Thornton presented their report on emerging national issues and developments. The report included a number of questions for consideration by the Committee in order to assess whether it had sought sufficient and appropriate assurance in order to fulfil its governance responsibilities.

One of the questions posed related to the implications of the Local Audit and Accountability Act, which had received Royal Assent on 30 January 2014, and the implications for the Councils future external audit arrangements. It was reported that the Local Government Association was to have transitional powers pending replacement arrangements being finalised. In response to concern at the uncertainty over whether or not existing contracts could be extended Members were advised that it was expected that guidance would be received in time for this not to be a problem.

It was noted that currently 'emerging issues' are considered and discussed by the relevant Member/Officer Group with reporting to the full Audit and Governance Committee by exception only. In response to a question concerning the remit of the Committee's existing Member/Officer Groups the current memberships were confirmed and a copy has been placed on the website with these minutes.

RESOLVED

That the report be noted and that in future similar reports will be brought to the Committee for information, with an oral update from Officers where necessary; in addition a short report will be submitted to the next meeting of the Committee setting out how future 'emerging issue' reports will be dealt with by the Council.

62 INTERNAL AUDIT PLAN 2014/15

In accordance with Public Sector Internal Audit Standards the Committee was asked to consider the Summary Internal Audit Plan 2014/15. The plan had been prepared by the Head of Internal Audit (currently the two Audit Managers) in consultation with senior management. A more detailed plan would be developed in the first quarter of 2014/15 so as to take into account outcomes of the service planning process, and further consultation with management on critical systems and processes in delivering the Council's key priorities. Other factors would include confirmation of the specific requirements for internal audit of the Alternative Service Delivery Vehicles (ASDV's) and also resource availability.

In considering work associated with the ASDV's a question was asked regarding to whom the work would be charged. The Committee was advised that the majority of audit work within the plan would be for the Council and would be looking at the client arrangements with the ASDV's. However, separately, certain ASDV's might want Internal Audit to carry out audit work directly for them; these discussions were ongoing, including what was required by the new ASDV's, and the outcomes would be reported back to Members in due course.

RESOLVED

1. That the approach to internal audit planning be endorsed and that the Summary Internal Audit Plan 2014/15, shown as Appendix A to the report, be approved.
2. That it be noted that a more detailed Internal Audit Plan will be developed and produced in the first quarter of 2014/15, and discussed and agreed with the relevant Member/Officer Group.

63 RISK MANAGEMENT UPDATE REPORT

As part of the Committee's work in overseeing risk management processes, and the effectiveness of control and governance arrangements, consideration was given to a summary of risk management work undertaken since the last meeting. Risk identification, assessment and management were considered to be integral to the work of the Council in delivering its 3 year plan, involving as it did consideration of both existing and new threats.

In order to focus on the most important areas of risk the report detailed the four highest rated corporate risks, four areas of medium risk, two of dying risk and a new/emerging risk; an appendix to the report provided greater detail on each.

In addition, and in accordance with the request made by the Committee at its last meeting, Lorraine Butcher (Executive Director of Strategic Commissioning) attended the meeting in respect of Corporate Risk 20 (Contract and Relationship Management); the risk template for which had been updated and was attached to the report. Members discussed the importance of contracts being clear and robust, the ways in which the public would be able to feed into the Alternative Service Delivery Vehicle process through, for example, Citizens Engagement Panels and satisfaction surveys, the Council's performance management arrangements, and via the contact of Members with their local residents. Whilst the risk of ASDV's was graded as high at present it was anticipated that this would reduce quickly as it was largely the same Officers and Members that were involved, but with greater levels of control and performance indicators in place than before.

With reference to the highest rated corporate risks it was agreed that CR15 (Protection of Children and Young People) be explored further at the next meeting.

RESOLVED

1. That the update report be received.
2. That further information on Corporate Risk CR15 be reported to the next meeting of the Committee.

64 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000 AND PROTECTION OF FREEDOMS ACT 2012

Consideration was given to a report on compliance with the Regulation of Investigatory Powers Act (2000) (RIPA), and on the number of applications authorised during 2013/14.

As using RIPA powers could conflict with an individual's human rights it was important that certain conditions were met in each case that it was used. By following the authorisation procedures set out Officers demonstrated that the surveillance was a necessary and proportionate measure to take. It was reported that the Office of Surveillance Commissioners had last inspected the Council's use and compliance with the legislation in May 2013 and their report had been very positive.

RESOLVED

That the report be noted and it be agreed that the current arrangements in place ensure that the Council complies with the legislation.

65 CONTRACT PROCEDURE RULES - WAIVERS

The Committee considered a report on waivers to Contract Procedure Rules. A summary of the waivers for the period July to December 2013 was given, along with a comparison against the figures for the previous reporting period. It was also reported that a revised procedure had been introduced to further simplify the process but also to make it both more efficient and appropriate.

Whilst appreciating the information contained in the report Members queried whether the report was fulfilling the requirements of Contract Procedure Rule E11 which stated that 'non-compliance' instances would be reported to the Committee. It was confirmed that what was now being reported to the Committee was consistent with previous reports, although the process and terminology had changed over time. The next report to Committee would identify the number of non-compliances within the overall total figure of waivers processed. In addition any non-compliances identified by sample/spot checks by the Procurement or Internal Audit Teams would also be reported to Committee.

RESOLVED

1. That the update on waivers of Contract Procedure Rules since September 2013 be noted.
2. That it be noted that procedures in this area have been revised since the last report to the Committee in September 2013, and that the Finance and Contract Procedure Rules are currently being reviewed as part of a wider review of the Constitution.
3. That the next report to Committee identify the number of non-compliances within the overall total figure of waivers processed, and that any other non-compliances identified will also be reported to the Committee as appropriate.

66 MEMBERS' CODE OF CONDUCT: STANDARDS PANELS AND SUB-COMMITTEE ANNUAL REPORT

Consideration was given to a report of the Head of Legal Services and Monitoring Officer on the numbers and outcomes of complaints received under the Code of Conduct for Members. The report related to complaints considered by the

Committee's Initial Assessment Panel, the Local Resolution Panel, and the Hearing Sub Committee, and covered the period from April 2013 to date.

The numbers of complaints received against either a member of Cheshire East Council, or a member of a Parish/Town Council, were detailed along with the outcome where investigations had been concluded. Figures in respect of cases still in progress were also given.

Members referred to a review of standards training, and of the complaints process, on which work had been put on hold pending the appointment of the permanent Head of Legal Services and Monitoring Officer. The Committee was advised that the review would now be carried out as speedily as possible with the assistance of the Members appointed to the Working Group established for that purpose, namely Councillors J Wray, L Brown, M Hardy and S Hogben. In addition, it was agreed that Councillor D Marren be included in his capacity as a Member of both this and the Constitution Committee. It was further agreed that the findings of the review be submitted to the next meeting of the Committee with a view to being submitted to the Council at its meeting in July.

RESOLVED

1. That the report be noted.
2. That the review of standards training, and of the process for dealing with complaints under the Code of Conduct for Members, be carried out as soon as possible, that the findings be submitted to the next meeting of the Committee and that Councillor D Marren be added to the membership of the Standards Working Group.

67 ALTERNATIVE SERVICE DELIVERY VEHICLES GOVERNANCE AND STEWARDSHIP

The Audit and Governance Committee was requested to endorse the arrangements set out in the report in respect of the governance structures under which Cheshire East Ltd and its subsidiary companies would operate, and of the governance arrangements for Alternative Service Delivery Vehicles (ASDV's). It was noted that the Cabinet had considered and approved the arrangements at its meeting on 24 March 2014. An updated copy of the ASDV reporting lines, included within the Cabinet report of 24 March was circulated.

It was reported that the new approach required robust corporate leadership, innovation and a clear focus on identifying and prioritising local needs. The Council's overriding principles for the governance, stewardship and control arrangements were that they be resident and business led, and that they ensured accountability to residents, service users, businesses and local Councillors. It was intended that these principles would be reviewed regularly and that the Audit and Governance Committee would have the opportunity to review the assurance framework to ensure it remained satisfied with the arrangements.

The Committee was advised that the Leader of the Council had agreed that two All Member Briefings would be held in the immediate future.

RESOLVED

That the arrangements set out in the report, and in Appendices A and B, be endorsed, and that the Committee confirms it will take the opportunity to review the assurance framework to ensure it remains satisfied with the arrangements.

68 AUDIT AND GOVERNANCE COMMITTEE SELF ASSESSMENT

Consideration was given to the results of the self assessment of the Committees effectiveness carried out with the Chairman and the Vice-Chairman. The assessment forms part of the overall Annual Governance Statement process, agreed by the Committee in November 2013, and is carried out against the CIPFA publication *Audit Committees – Practical Guidance for Local Authorities and Police 2013*, specifically, the sections relating to Self Assessment of Good Practice and Evaluating the Effectiveness of the Audit Committee.

The recent publication of the guidance was reflected in a number of the questions having been assessed as 'partly'. It was reported that these would change to 'yes' once the actions identified had been implemented.

RESOLVED

1. That the results of the self assessment be noted and 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 approval process.
2. That the actions arising from the self assessment be endorsed and a further report giving an update on the progress of these actions be submitted to a future meeting of the Committee.

69 WORK PLAN 2014/15

Consideration was given to the Work Plan and it was confirmed that the Standards Review Report would be presented to the next meeting of the Committee. With regard to the Plan for 2014/15 Members were advised that further discussion in the specialist Member/Officer Groups is necessary in order to draft out a full Work Programme for 2014/15.

RESOLVED

That the Work Plan be approved.

The meeting commenced at 2.00 pm and concluded at 5.25 pm

Councillor J Wray (Chairman)

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 26th June 2014
Report of: Chief Operating Officer
Subject/Title: Grant Thornton - Emerging Issues Briefing
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 The report provides the Audit and Governance Committee with a summary of emerging national issues and developments that may be of relevance to the Council. The summary is provided by the Council's external auditors, Grant Thornton, and sets out areas of potential interest across local government and the wider public sector.
- 1.2 From June 2014 the briefing is also shared with the Council's Corporate Leadership team and portfolio holders. This helps to provide the Audit and Governance Committee with some assurance that the issues are both known to the Council and are reflected in its work programmes where appropriate.

2.0 Recommendation

- 2.1 That members note the Emerging Issues Briefing report.

3.0 Reasons for Recommendations

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

4.0 Background

- 4.1 The report provides an update from Grant Thornton on national emerging issues and developments which may be of relevance to Cheshire East.
- 4.2 Emerging issues briefings are provided to the Committee on a regular basis. Going forward these reports will be considered by the Corporate Leadership Board and the relevant Portfolio Holders. This will strengthen awareness and ensure that the issues and their implications are fully considered by the relevant section of the Council.
- 4.3 Grant Thornton has also provided a range of useful documents including:
- A Guide to Local Authority Accounting;
 - Decluttering the Accounts – Top Tips;
 - Approval of the Minimum Revenue Provision; and
 - Midland Local Government Audit Committee Member Network Programme of Events.

These documents will be circulated to members of this Committee by email.

- 4.4 The Audit Manager from Grant Thornton will be attending the meeting to answer any questions raised by members on this report.

5.0 Wards Affected

- 5.1 Not applicable.

6.0 Local Ward Members

- 6.1 Not applicable.

7.0 Policy Implications including – Carbon Reduction, Health

- 7.1 None.

8.0 Financial Implications

- 8.1 There are no specific finance implications.

9.0 Legal Implications

- 9.1 There are no specific legal issues associated with this report.

10.0 Risk Management

- 10.1 There is a risk that the Council will be unaware of emerging issues and developments which may be of relevance if this report is not considered.

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: Corporate Finance Manager

Tel No: (01270) 685869

Email: Joanne.wilcox@cheshireeast.gov.uk

Appendix 1: Emerging Issues Briefing for Cheshire East Council

Emerging Issues Briefing for Cheshire East Council

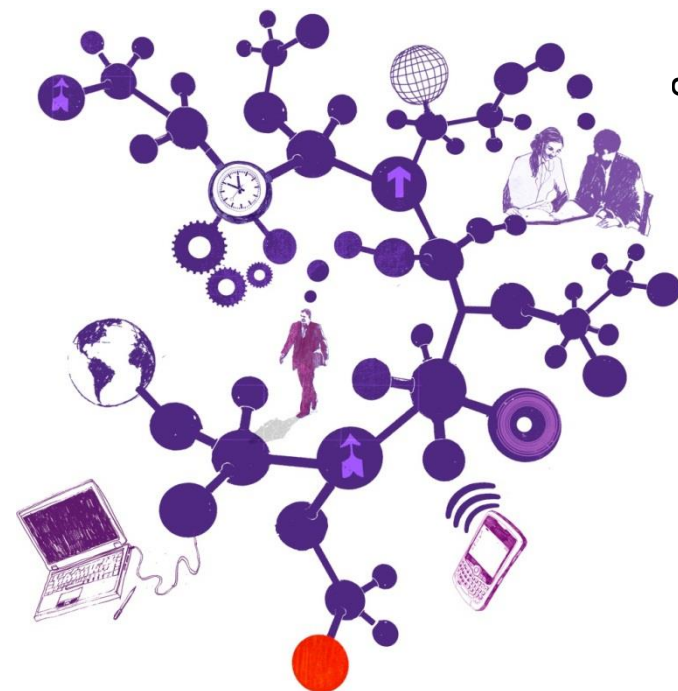
Year ended March 2014

13 June 2014

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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 your business 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.

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Introduction

This paper provides the Audit and Governance Committee with summary of emerging national issues and developments that may be relevant to you as a unitary council.

This includes a number of questions that the Committee may wish to consider to order to assess whether it has sought sufficient and appropriate assurance to fulfil its governance responsibilities.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014 - our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current - summary findings from our third year of financial health checks of English local authorities

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager .

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of key issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?
7. Have you disclosed the accounting policy for schools? For those schools that are not recognised on the balance sheet, has information about school assets, income and expenditure been disclosed?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

To consider:

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Blue Badge fraud prosecutions double in three years

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking. - See more at: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6186329/NEWS#sthash.PIIm4374.dpuf

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

To consider:

Is the authority pursuing measures to prevent Blue Badge abuse?

Consultation – Local Government Pension Scheme future structure

Local government guidance

Local Government Pension Scheme (LGPS) reform (for information)

The DCLG (1 May 2014) published a summary of its 2013 call for evidence on the future structure of the local government pension scheme, along with its own conclusions and has launched a formal consultation on these. Consultation responses are required by 11 July 2014.

<https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Having considered a cost/benefit analysis of mergers from actuarial firm Hymans Robertson, the DCLG said it would not force funds to merge, but is instead consulting on the following proposals:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

The potential proposed changes, whilst not as radical as the previously considered merger proposals, remain nonetheless significant for the management of pension funds. DCLG believe the implementation of the proposed changes would significantly reduce investment costs across the LGPS nationally.

Priority School Building Programme

Local government guidance

The Schools minister David Laws announced (2 May 2014) that the government will spend £2bn on a second phase of its Priority School Building Programme in the six years from 2015.

Under the Priority School Building Programme, which replaced the last government's Building Schools for the Future scheme, the government has announced its commitment to spending £18bn on school buildings over the course of this parliament, including £2.4bn targeted at the schools in worst condition. Overall, this funding is set to build around 300 new schools and provide improvements to nearly 600 others.

In announcing this targeted initiative was on course to improve 261 schools with buildings in the worst condition in England by the end of 2017 and that it would now be extended into a second phase, with a further £2bn allocation over the next spending review period to 2021 the minister stated:

"the original Priority School Building Programme worked on the basis of the condition of the whole school site. We will now refine this to look at targeting individual school buildings, as well as whole school rebuilds where this is appropriate, so that the department can focus much more tightly on addressing specific issues in the estate."

To consider:

Has the Council considered the implications of the Priority School Building Programme for its schools building and refurbishment programme?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

To consider:

Has the Council considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

To consider:

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- We are hosting a Local Government Audit Committee Network at our Birmingham office on 2 July. The theme for this inaugural meeting will be Financial Reporting in Local Government – providing challenges to the draft financial statements including an update on current topics.
- We are also hosting an Alternative Delivery Models seminar at our Birmingham office on 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.
- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events.
- We have recently sponsored the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Unconference, The Municipal Journal's annual Growth Agenda conference and for the third year running we are sponsoring the conference reception at CIPFA's Annual Conference, taking place in London on 2 July.



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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 26th June 2014
Report of: Head of Legal Services and Monitoring Officer
Subject/Title: Arrangements review of processes for considering complaints that members have breached the Code of Conduct

1.0 Report Summary

- 1.1 This report proposes amended arrangements for considering complaints that members may have breached the Code of Conduct.

2.0 Recommendations

That members approve:

- 2.1 the revised arrangements for dealing with standards allegations under the Localism Act 2011 at Appendix 1 of the report.

3.0 Reasons for Recommendations

- 3.1 The procedure the Council adopted for dealing with complaints against members and investigations on 19th July 2012 has been in operation since that date. A review has been undertaken by a working group of the Audit and Governance Committee to assess how the arrangements were working and to consider any improvements in line with best practice.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 Strong Ethical Governance, including clear policies and protocols supporting and underpinning the Code of Conduct, are critical for the ethical governance of the Council and for public confidence in the Council's decision making processes.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

- 7.1 Costs in relation to any investigations, particularly external investigations, and hearings are dependent upon the number of complaints received, however it is anticipated that these costs will be met from existing resources.

8.0 Legal Implications (Authorised by the Head of Legal Services)

- 8.1 The Localism Act 2011 is being implemented over a phased period of time. The provisions in relation to the replacement of the current Standards regime were brought into effect from 1st July 2012. The Act required that the Council adopted a Code of Conduct and had in place effective procedures to enable the investigation of any complaints or allegations that a Member had breached of the Code of Conduct. The Borough Council remains responsible for investigating any allegations that a Town or Parish Councillor is in breach of their adopted Code of Conduct. The proposed arrangements comply with the statutory requirements.

9.0 Risk Management

- 9.1 The Council must have robust processes in place both from a reputational management viewpoint and to safeguard the integrity of the Councils, Corporate Governance and Decision making processes as whole.

10.0 Background and Options

- 10.1 Under the Localism Act 2011 the Council has a statutory duty to promote and maintain high standards of conduct by both its Elected Members and co-opted Members. The Council must adopt a Code of Conduct which sets out the conduct expected of Members whenever they act in their capacity as an Elected Member and must also have in place a suitable procedure at a local level to investigate complaints that a Member may be in breach of the Code of Conduct.

- 10.2 At its meeting on 19 July 2012 Full Council approved the adoption of a new Code of Conduct for Elected Members of Cheshire East Council together with a procedure relating to the investigation of complaints under the new Code.

10.3 Review Findings

The review of the arrangements for assessing and investigating member complaints has shown that the main criticisms of the current system for both subject members and complainants are of delay and complexity.

- 10.4 In abolishing the previous standards regime Parliament's intention was to reduce the time and expense that Authorities spent in dealing with low

level complaints. The aim was for a local hearings process to be used for only the most serious complaints.

- 10.5 The design of any system must take account of the fact that the Borough Council must administer the complaints process for 106 Town and Parish Councils in addition to the Borough Council itself. It is therefore essential that there is a good filter process to ensure that complaints are dealt with appropriately according to the assessment criteria.
- 10.6 By introducing a local resolution process the Council recognises the wish to deal with matters swiftly and informally whilst taking member complaints seriously.
- 10.7 In practice the feedback and commentary show that the local resolution process has become too formal and slow. The local resolution process has instead taken on all the complexity of a local hearing process which was not the original intention. Commendably members sought to own the complaints process and play an active role in overseeing strong ethical governance.
- 10.8 Some of the delay in resolving the complaints has been the need to convene the Initial Assessment Panels.

10.9 Initial Assessment

The changes that are proposed are that the initial assessment of complaints should be undertaken by the Monitoring Officer in consultation with an Independent Person. That assessment, against the criteria set out in Appendix 1 should take account of any comments received from the subject member.

10.10 Informal Resolution

The emphasis, wherever possible, will be placed on the Monitoring Officer dealing with complaints in a timely manner. Where complaints do not raise serious issues the Monitoring Officer will seek informal resolution rather than refer them for investigation.

- 10.11 Consistent with her duty to uphold standards of conduct, the Monitoring Officer will seek the simplest and most cost-effective way of resolving the issue. This informal resolution process will not include a public hearing.

10.12 Local Hearings

A local hearing process is set out in the Appendix and will follow a full investigation. An investigation could be undertaken by an appropriately trained senior officer of this or another Council, or by an external investigator.

- 10.13 It is intended that there should not be an appeal process at any stage of the process. The principals of Natural Justice are not affected as ultimately a complainant or subject member could seek resolution from the Local Government Ombudsman or ultimately through the Court.
- 10.14 It is anticipated that all local hearings will be conducted in public.
- 10.15 In the interests of fairness and natural justice, if an appeal process is provided following any part of the complaint procedure it should be affordable to both the subject member and the complainant. For example a complainant could seek to have a no breach finding returned in the same way as a subject member.
- 10.16 The legal advice to Authorities has consistently been not to introduce an appeal process as this would need to be based on strict criteria which would be very difficult to administer and would again build in complexity and delay.
- 10.17 Unlike the judicial system it would be almost impossible to ensure sufficient rigour to deny a right of appeal to either a subject member or complainant. The effect would be to build in two hearings which would replicate the problems experienced to date but at a different part of the process.
- 10.18 Although each Authority is responsible for designing and adopting its own process for dealing with complaints, it is telling to note that there are limited examples of any appeals process. Those that exist afford the same right of appeal to both a subject member and complainant.
- 10.19 For these reasons it is not recommended to members to build in any appeals. The emphasis should be on running a fair process that members can have confidence in.

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: Head of Legal Services and Monitoring Officer

Tel No: 01270 685850

Email: anita.bradley@cheshireeast.gov.uk

Cheshire East Borough Council

Appendix 1 to the Report

**ARRANGEMENTS FOR DEALING WITH STANDARDS
ALLEGATIONS UNDER THE LOCALISM ACT 2011**

1 Context

These “Arrangements” set out how you may make a complaint that an elected or co-opted member of this Authority or of a Town or Parish Council within its area has failed to comply with the Authority’s Code of Conduct. They also set out how the Authority will deal with allegations of a failure to comply with the Authority’s Code of Conduct.

Under Section 28(6) and (7) of the Localism Act 2011 the Council must have in place “arrangements” under which allegations that a member or co-opted member of the Authority or of a Town or Parish Council within the Authority’s area, or of a Committee or Sub-Committee of the Authority, has failed to comply with that Authority’s Code of Conduct can be investigated and decisions made on such allegations.

Such arrangements must provide for the Authority to appoint at least one Independent Person, whose views must be sought by the Authority before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Authority at any other stage, or by a member or a member or co-opted member of a Town or Parish Council against whom an allegation has been made.

2 The Code of Conduct

The Council has adopted a Code of Conduct for members, which is attached as **Appendix 1**, available for inspection on the Authority’s website and on request from the Monitoring Officer at Cheshire East Borough Council.

Each Town or Parish Council is also required to adopt a Code of Conduct. If you wish to inspect a Town or Parish Council’s Code of Conduct, you should look on their website in the first instance. You may also ask the Town or Parish clerk to allow you to inspect the Code of Conduct.

3 Making a complaint

Complaints must be submitted in writing. If you wish to make a complaint, please complete the Standard Complaint Form at **Appendix 2**. Please send your complaint to:

The Monitoring Officer
Cheshire East Borough Council
Westfields
Middlewich Road
Sandbach, CW11 1HZ

Or email:

MonitoringOfficerCEC@cheshireeast.gov.uk

The Monitoring Officer is a senior officer of the Authority with statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct and is the Council's Proper Officer for all such matters.

In order to ensure that we have all the information which we need to be able to process your complaint you need to provide us with:

- the name of the member(s) you believe have breached the Code of Conduct
- the name of their Authority.
- Please explain what the member has done that you believe breaches the Code of Conduct.
- if you are complaining about more than one member you should clearly explain what each individual person has done that you believe breaches the Code of Conduct.

It is important that you provide all the information you wish to have taken into account regarding your complaint. For example:

- You should be specific, wherever possible about exactly what you are alleging the member said or did. For instance, instead of writing that the member insulted you, you should state what it was that they said.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

Whilst not acknowledging that your complaint is justified and without prejudice, it would help in dealing with your complaint to know what your desired outcome of this complaint might be. If you feel able to provide this information please do so.

Please do provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress.

If you want to keep your name and address confidential, please ensure that you complete section 5. You must also provide good reasons why you believe we should withhold your details. It is expected that it is only in exceptional circumstances that the right for confidentiality will be granted, as this may prejudice the right of the subject member to respond to the complaint.

Please note that requests for confidentiality will not automatically be granted. The Monitoring Officer in consultation with an Independent Person will consider the request alongside the substance of your complaint. We will then contact you with the decision. If your request for confidentiality is not granted, we will usually allow you the option of withdrawing your complaint.

However, it is important to understand that in certain exceptional circumstances where the complaint is about a very serious matter, we can proceed with an investigation or other action and disclose your name even if you have expressly asked us not to.

Requests for confidentiality will be considered using the following criteria -

- The complainant has reasonable grounds for believing that they will be at risk of physical harm if their identity is disclosed;
- The complainant is an officer who works closely with the Subject Member(s) and they are afraid of the consequences to their employment or of losing their job if their identity is disclosed;
- The complainant suffers from a serious health condition and there are medical risks associated with their identity being disclosed. Medical evidence may be requested in support of this criterion;
- Whether the complaint can be investigated without revealing the complainant's identity.

The Monitoring Officer will acknowledge receipt of your complaint within 5 working days of receiving it, and will keep you informed of progress.

A full copy of your complaint will, subject to any ruling on disclosure, ordinarily be sent to the Member concerned inviting their written comments within 5 working days of receipt.

4. Will your complaint be investigated?

The Monitoring Officer will review every complaint received against the Assessment Criteria set out in **Appendix 3** and, after consultation with the Independent Person, take a decision as to whether it merits formal investigation. This decision will normally be taken within 20 working days of receipt of your complaint. Where the Monitoring Officer has taken a decision, he/she will inform you of his/her decision and the reasons for that decision.

Where he/she requires additional information in order to come to a decision, he/she may come back to you for such information. He/she may also request information from the member against whom your complaint is directed. Where your complaint relates to a Town or Parish Councillor, the Monitoring Officer may also inform the Clerk of the Town or Parish Council of your complaint and may seek the views of the Town or Parish Council before deciding whether the complaint merits formal investigation.

In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action suggested by the Authority. Where the member or the Authority make a reasonable offer of local resolution, but you are not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

If your complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to call in the Police and other regulatory agencies.

5 How is the investigation conducted?

If the Monitoring Officer decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer. This may be another senior officer of the Authority, an officer of another Authority or an external investigator. The Investigating Officer will decide whether he/she needs to meet or speak to you to understand the nature of your complaint and so that you can:

- explain your understanding of events
- suggest what documents the Investigating Officer needs to see
- suggest who the Investigating Officer needs to interview.

The Investigating Officer will normally write to the member against whom you have complained and provide him/her with a copy of your complaint. He/she will also ask the member to provide his/her explanation of events, and to identify what documents he/she needs to see and who he/she needs to interview. In exceptional cases, where it is appropriate to keep your identity confidential or disclosure of details of the complaint to the member might prejudice the investigation, the Monitoring Officer can delete your name and address from the papers given to the member or. In exceptional circumstances only, the Monitoring officer, may decide to delay notifying the member initially.

At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to you and to the member concerned. This provides you both with the opportunity to identify any matter, in that draft report, that you disagree with or that you consider requires more consideration.

Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.

6 What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

The Monitoring Officer will review the Investigating Officer's report and, if he/she is satisfied that the Investigating Officer's report is sufficient, the Monitoring Officer will write to you and to the member concerned notifying you that he/she is satisfied that no further action is required. He/she will also give you both a copy of the Investigating Officer's final report. Where your complaint relates to a Town or Parish Councillor the Monitoring Officer will also write to the Clerk of that Authority.

If the Monitoring Officer is not satisfied that the investigation has been conducted properly, he/she may ask the Investigating Officer to reconsider his/her report.

7 What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

The Monitoring Officer will review the Investigating Officer's report and will then send the matter for informal resolution or, after consulting the Independent Person seek a local hearing before the Hearing Sub-committee.

7.1 Informal Resolution

The Monitoring Officer may consider that the matter can reasonably be resolved without the need for a hearing. In such a case, he/she will consult with the Independent Person and with you as complainant to seek to agree what you consider to be a fair resolution and which also helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action agreed by the Authority. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the Audit and Governance Committee and the Town or Parish Council (where relevant) for information, but will take no further action. However, if you tell the Monitoring Officer that any suggested resolution would not be adequate, the Monitoring Officer may (but is not required to) refer the matter for a local hearing.

The emphasis, wherever possible, will be placed on the Monitoring Officer dealing with complaints in a timely manner. Where complaints do not raise serious issues the Monitoring Officer will seek informal resolution rather than refer them for investigation.

Consistent with his/her duty to uphold standards of conduct, the Monitoring Officer will seek the simplest and most cost-effective way of resolving the issue. This informal resolution process will not include a public hearing.

7.2 Local Hearing

If the Monitoring Officer considers that local resolution is not appropriate, or the member concerned is not prepared to undertake any proposed remedial action, such as giving an apology, then the Monitoring Officer will report the Investigating Officer's report to the Hearing Sub-committee. That committee will then conduct a local hearing before deciding whether the member has failed to comply with the Code of Conduct.

The procedure for a Hearing Sub-committee is attached as **Appendix 6** to these arrangements.

In summary, the Monitoring Officer will conduct a "pre-hearing process", requiring the member to give his/her response to the Investigating Officer's report. This is done to establish what is likely to be agreed and what is likely to be in contention at the hearing. The Chair of the Hearing Sub-committee may also issue directions as to the manner in which the hearing will be conducted, for example agreeing the number of witnesses. Directions may be given either before or at the hearing taking account of the advice of the Monitoring Officer.

At the hearing, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you, as the complainant, to attend and give evidence to the Hearing Sub-committee. The member will then have an opportunity to give his/her evidence, to call witnesses and to make representations to the Hearing Sub-committee as to why he/she considers that he/she did not fail to comply with the Code of Conduct.

The Hearing Sub-committee will decide, with the benefit of any advice from the Independent Person, and may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint. Where the Hearing Sub-committee concludes that the member did fail to comply with the Code of Conduct, the Chair will inform the member of this finding. The Hearing Sub-committee will explain the reasons why any advice from the Independent Person has or has not been followed in giving its decision. The Hearing Sub-committee will then consider what action, if any, it should take as a result. The Hearing Sub-committee will give the member an opportunity to make his/her representations and will consult the Independent Person, but will then decide what action, if any, to take in respect of the matter.

8. What action can the Hearing Sub-committee take where a member has failed to comply with the Code of Conduct?

The Council has delegated to the Hearing Sub-committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly the Hearing Sub-committee may –

- Censure or reprimand the member.
- Publish its findings in respect of the member's conduct;
- Report its findings to Cheshire East Borough Council or to the Town or Parish Council for information and make any recommendations;
- Recommend to the member's Group Leader (or in the case of un-grouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
- Recommend to the Leader of the Council that the member be removed from the Cabinet, or removed from particular Portfolio responsibilities;
- Instruct the Monitoring Officer to, or recommend that the Town or Parish Council, arrange training for the member;
- Remove, or recommend to the Authority, or Town or Parish Council to remove, the member from all outside appointments to which he/she has been appointed or nominated by the Authority or by the Town or Parish Council;

- Withdraw, or recommend to the Authority, or Town or Parish Council that it withdraws, facilities provided to the member by the Council, such as a computer, website and/or email and Internet access;
- Exclude, or recommend that the Authority, or Town or Parish Council exclude, the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

The Hearing Sub-committee has no power to suspend or disqualify the member or to withdraw members' special responsibility allowances.

9 What happens at the end of the hearing?

At the end of the hearing, the Chair will state the decision of the Hearing Sub-committee and any actions which the committee resolves to take.

As soon as reasonably practicable thereafter, the Monitoring Officer will prepare a formal decision notice in consultation with the Chair of the Hearing Sub-committee and send a copy to you, to the member, and to the Town or Parish Council. He/she will also make that decision notice available for public inspection and report the decision to the next convenient meeting of the Audit and Governance Committee.

10 Who are the Hearing Sub-committee?

The Hearing Sub-committee is a Sub-Committee of the Council's Audit and Governance Committee. The Council has decided that it will be made up of 3 members and be drawn from a panel of 15 members of the Council

The Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

11 Who is the Independent Person?

The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.

A person cannot be "independent" if he/she –

- 11.1 Is, or has been within the past 5 years, a member, co-opted member or officer of the Authority;
- 11.2 Is or has been within the past 5 years, a member, co-opted member or officer of a Town or Parish Council within the Authority's area, or
- 11.3 Is a relative or close friend, of a person within paragraph 11.1 or 11.2 above. For this purpose, "relative" means –

- 11.3.1 Spouse or civil partner;
- 11.3.2 Living with the other person as husband and wife or as if they were civil partners;
- 11.3.3 Grandparent of the other person;
- 11.3.4 A lineal descendent of a grandparent of the other person;
- 11.3.5 A parent, sibling or child of a person within paragraphs 11.3.1 or 11.3.2;
- 11.3.6 A spouse or civil partner of a person within paragraphs 11.3.3, 11.3.4 or 11.3.5; or
- 11.3.7 Living with a person within paragraphs 11.3.3, 11.3.4 or 11.3.5 as husband and wife or as if they were civil partners.

12 Revision of these arrangements

The Monitoring Officer has delegated power, in consultation with the Independent Person and the Chair of the Audit and Governance Committee or in his/her absence the Vice Chair of Audit and Governance, to approve a departure from these arrangements when he/she considers it is expedient to do so to secure the effective and fair consideration of any matter.

The Chair of the Hearing Sub-committee has the right to depart from the Hearing Sub-committee procedure, in consultation with the Monitoring Officer, at any hearing where he/she considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

The Chair of the Hearing Sub-committee is appointed by the three members who will sit at the particular hearing either in advance of the hearing or by vote at the start of the hearing.

An overview of the procedure is attached at **Appendix 4** together with a flowchart at **Appendix 5**.

13 Appeals

There is no right of appeal for you as complainant or for the member against a decision of the Monitoring Officer or of the Hearing Sub-committee. If you feel that the Authority has failed to deal with your complaint properly, you may make a complaint to the Local Government Ombudsman.

List of Appendices

Appendix 1	Cheshire East Borough Council Code of Conduct
Appendix 1a	General Dispensations granted by Audit and Governance Committee on 27 th September 2012.
Appendix 2	Standard Complaint Form
Appendix 3	Assessment Criteria
Appendix 4	Overview of procedure for considering complaints that members have breached the code of conduct.
Appendix 5	Flowchart
Appendix 6	Procedures for Local Hearings

Arrangements proposed to be adopted by Council on 17 July 2014

Appendix 1

Cheshire East Borough Council

CODE OF CONDUCT FOR MEMBERS –2012

Cheshire East Borough Council has adopted this Code of Conduct to promote and maintain high standards of conduct and underpin public confidence in the authority and its members and co-opted members.

The Code has been adopted under section 27 of the Localism Act 2011 and is based on the following core principles of public life - selflessness, integrity, objectivity, accountability, openness, honesty and leadership. It sets out general obligations about the standards of conduct expected of members and co-opted members of the authority, together with provisions about registering and declaring interests.

A General Obligations

Whenever you are acting as a member or co-opted member of this authority you must act in accordance with the following obligations:

Selflessness

- 1 You must act solely in the public interest and must never use or attempt to use your position improperly to confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, friends or close associates.

Integrity

- 2 You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

You should exercise independent judgement. Although you may take account of the views of others (including a political group), you should reach your own conclusions on the issues before you and act in accordance with those conclusions.

Objectivity

- 3 When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You should remain objective, listen to the interests of all parties appropriately and impartially and take all relevant information, including advice from the authority's officers, into consideration.

Accountability

- 4 You are accountable to the public for your decisions and you must co-operate fully with whatever scrutiny is appropriate to your office, including by local residents.

Openness

- 5 (a) You must be open and transparent where possible about your decisions and actions and the decisions and actions of your authority. You should be prepared to give reasons for those decisions and actions. You must not prevent anyone getting information that they are entitled to by law.

(b) Where the law or the wider public interest requires it, you must not disclose confidential information or information to which public access is restricted. (see footnote)

Honesty

- 6 (a) You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests as set out in Section B below.

(b) You must only use or authorise the use of the authority's resources in accordance with the authority's requirements. You must, when using or authorising the use by others of such resources, ensure that they are used for proper purposes only. Resources must not be used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986

Respect for others

- 7 (a) You must treat others with courtesy. You should engage with colleagues and staff in a manner that underpins mutual respect and courtesy, essential to good local government.

(b) You must not do anything which may cause your authority to breach any equality laws.

(c) You must not compromise or attempt to compromise the impartiality of anyone who works for, or on behalf of, the authority.

(d) You must not bully any person, including other councillors, officers of the authority or members of the public. (see footnote)

Leadership

- 8 You must promote and support high standards of conduct when serving as member or co-opted member of the authority, by leadership and example, championing the interests of the community.

You should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in you.

Gifts and Hospitality

- 9 You must within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £100 which you have accepted as a member from any person or body other than the authority. The Monitoring Officer will place your notification on a public register of gifts and hospitality.

Notes

“Confidential Information” should not be disclosed except in limited circumstances, for example:

- You have the consent of the person authorised to give it
- You are required by law to do so
- The disclosure is made on a confidential basis to a third party in order to obtain professional advice
- You have satisfied yourself that the disclosure is in the public interest

“Bullying” may be characterised as offensive, intimidating, malicious, insulting or humiliating behaviour and includes “cyber bullying”. It may happen once or be part of a pattern of behaviour. It can be contrasted with the legitimate challenges a member may make in challenging policy or scrutinising performance. You may challenge others as to why they hold their views but must take care to raise issues in the appropriate forum. Ideas and policies may be robustly criticised but individuals should not be subject to unreasonable or excessive personal attack.

B Registering and declaring pecuniary and non-pecuniary interests

- 1 You must, within 28 days of taking office as a member or co-opted member, notify your authority’s monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse’s or civil partner’s, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

- 2 In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority’s monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

- 3 If an interest has not been entered onto the authority’s register, then you must disclose the interest to any meeting of the authority at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a ‘sensitive interest’*.

- 4 Following any disclosure of an interest not on the authority’s register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

- 5 Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

*A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Extract from the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

- The following categories are Disclosable Pecuniary Interests
- "M" denotes the relevant Elected Member

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(1).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.

(1) 1992 c. 52.

Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

NB: Under the Council's Standing Orders any Member of Cheshire East Borough Council who declares a Disclosable Pecuniary Interest in an item of Business should withdraw from the room at the appropriate juncture.

Appendix 1a

General Dispensations granted by Audit and Governance Committee on 27th September 2012.

At its meeting on 27 September 2012 the Audit and Governance Committee approved the following general dispensations:

Granted dispensations for all Members of the Council and co-opted members to speak and vote on a number of matters for a period of four years as follows:

- any allowance, payment or indemnity given to Members;
- any Ceremonial Honours given to Members;
- statutory sick pay under Part X1 of the Social Security Contributions and Benefits Act 1992 where they were in receipt of or entitled to receive such pay;
- setting the Council Tax or a precept under the Local Government and Finance Act 1992 (or any subsequent legislation);
- setting a Local Council Tax Reduction Scheme or Local scheme for the payment of business rates (Including eligibility for rebates and reductions) for the purposes of the Local Government Finance Act 2012 (or any subsequent legislation); and
- school meals or school transport or travelling expenses where the Member is a parent or guardian of a child in full time education or a parent governor (unless the matter relates specifically to the school the child attends).

Appendix 2

COMPLAINT FORM

Code of Conduct – Council Town & Parish Councillors and Co-opted Member(s).

Your details-

1. Please provide us with your name and contact details.

Title:	
First name:	
Last name:	
Address:	
Daytime telephone:	
Evening telephone:	
Mobile telephone:	
Email address:	

2. Please tell us which complainant type best describes you:

- ☐ Member of the public
- ☐ An elected or co-opted Member(s) of an Authority or a Town and Parish Council
- ☐ Local Authority Monitoring Officer
- ☐ Other Council Officer or employee of the Council
- ☐ Other - please specify

3. Please provide us with the name of the Member(s) you believe have breached the Code of Conduct and the name of their Authority:

Title	First name	Last name	Council or Authority name

4. Please explain in this section (or on separate sheets) what the Member(s) has/have done that you believe breaches the Code of Conduct. If you are complaining about more than one Member you should explain clearly what each individual person has done which you believe breaches the Code of Conduct.

Please provide us with details of your complaint. Continue on a separate sheet if there is not enough space on this form.

5. Only complete this section if you are requesting that your identity is kept confidential

In the interests of fairness and natural justice, the Council believes that Member(s) who are complained about have a right to know who has made the complaint. The Council also believes they have a right to be provided with a copy of the complaint. We are unlikely to withhold your identity or the details of your complaint unless you have good reason.

Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:

6. Signature:

I understand that by signing this form I am giving Cheshire East Borough Council permission to pass a copy of this complaint and any evidence supplied in support, to the individual ('the Subject Member') against whom the complaint has been made.

Signed: _____

Date: _____

7. Additional Help

Complaints must be submitted in writing. You may post, fax or email your signed, completed form to the Monitoring Officer. However, in line with the requirements of the Equality Act 2010, we can make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing.

We can also help if English is not your first language.

If you need any support in completing this form, please contact Diane Moulson (Tel: 01270 686476).

Appendix 3

ASSESSMENT CRITERIA**Initial Tests**

Before any assessment of a complaint begins, the Monitoring Officer must be satisfied that the complaint meets the following tests:

- It is a complaint against one or more named Members of **Cheshire East Borough Council** or a Town or Parish Council within Cheshire East Borough;
- The named Member was in office at the time of the alleged conduct and the Code of Conduct was in force at the time;
- The complaint, if proven, would be a breach of the Code under which the Member was operating at the time of the alleged misconduct.

If the complaint fails one or more of these tests it cannot be investigated as a breach of the Code and the complainant will be informed that no further action will be taken in respect of the complaint.

If the above tests are met the Monitoring Officer will have regard to the following criteria:

1. **Adequate information** – The Monitoring Officer will want to be satisfied that it has sufficient information to decide whether the complaint should be referred for investigation or other action;
2. **Official Capacity** - The member was acting in an official capacity.
3. **Timescale** – The Monitoring Officer will take into account when the events subject to the complaint took place and will not normally investigate or pursue other action if the events occurred more than 6 months prior to the complaint being submitted (except if it decides there are exceptional circumstances);
4. **Seriousness of the complaint** – The Monitoring Officer will not normally refer a matter for investigation or other action if it is considered trivial, malicious, politically motivated or tit-for-tat;
5. **Public Interest** - If the complaint relates to an ex-Member of Cheshire East or one of its Town/Parish Councils who is now a Member of another Authority the Monitoring Officer may refer the matter to that Authority for consideration.

If the Member has resigned, is seriously ill or has died the Monitoring Officer will only refer the matter for investigation or other action if it considers that the public interest will be served by so doing. If the complaint has already been the subject of an investigation or other action relating to the Code of Conduct or has been investigated by other regulatory authorities it is unlikely to be referred for investigation or other action unless it is evident that public interest will be served by further action being taken.

The Monitoring Officer has the option to make the following decisions on any complaint;

- **That No Further Action be Taken in respect of the matter**
- **That the Matter be Referred to the Group Leader for Informal Action** – this will normally be only where the complaint relates to **Cheshire East Borough Councillors** and will not generally be appropriate if the complaint is from a member of the public.
- **That the Matter is Referred for Informal Resolution or other action** – this enables less serious complaints to be resolved speedily and cost effectively. The matter may subsequently be referred for formal investigation should it become apparent that the issues are more serious than was originally anticipated.
- **That the Matter is Referred for Formal Investigation by an External Investigator-** this enables the most serious allegations to be thoroughly investigated. In most cases the Investigator will be expected to complete his investigation and produce a written report within 8 weeks of the referral.
- **That the Matter is Referred to the Police or other relevant Regulatory Agency** – this would be appropriate where it appears a criminal offence or breach of regulations may have taken place and in particular any failure to declare a Disclosable Pecuniary Interest under s 30 -31 of the Localism Act 2011.

Cheshire East Borough Council
July 2014

Appendix 4

OVERVIEW FOR CONSIDERING COMPLAINTS THAT MEMBERS HAVE BREACHED THE CODE OF CONDUCT

1. Complaints must be submitted to Cheshire East Borough Council's Monitoring Officer (MO) using the Council's Standard Complaint Form (**Appendix 2**) setting out in sufficient detail why the complainant considers there has been a failure to comply with the relevant Code of Conduct.

MO acknowledges receipt of the complaint within 5 working days

2. MO informs the Subject Member of:
 - (a) the complaint, and provides the Subject Member with a copy of the Complaint Form and the name of the Complainant, unless in exceptional circumstances where the Monitoring Officer, in consultation with the Independent Person has granted the Complainant's request for confidentiality. Under no circumstances must the Subject Member contact the Complainant direct regarding any of the issues raised.
 - (b) his/her right to consult the Independent Person (IP) appointed by the Council, through the MO.
 - (c) his/her right to provide the MO with his/her written response to the complaint. Any such response to be received by the MO within 5 working days after receipt of the complaint by the subject member.

3. Initial Assessment

MO, in consultation with IP, will make his/her initial assessment based on the criteria set out in **Appendix 3** capacity, within 20 working days of receipt of the complaint or, if applicable, within 20 working days of receipt of the written response by the subject member. That initial assessment will determine one or more of the following outcomes:

- (a) The complaint does not come within the remit of the Code of Conduct.
- (b) The complaint is not sufficiently serious to warrant an investigation.
- (c) That it is not in the public interest to investigate the complaint.
- (d) He/she should seek to resolve the complaint without the need for an investigation by informal resolution (e.g. by an apology, mediation, or training by the subject member).
- (e) The complaint should be referred to the Group Leader for informal action (NB for complaints against Cheshire East Borough Councillors only and not generally an appropriate action if the complaint is from a member of the public).
- (f) The Complaint should not be investigated because it is obsessive, vexatious, malicious or frivolous.
- (g) The Complaint should not be investigated because it is broadly similar to a complaint against the same Member about the same alleged incident.
- (h) The Complaint should not be investigated because there is a clear ulterior/political motive for it or it is just a tit for tat complaint.
- (i) An investigation should take place.
- (j) Refer the matter to the Police or other Regulatory Agency.

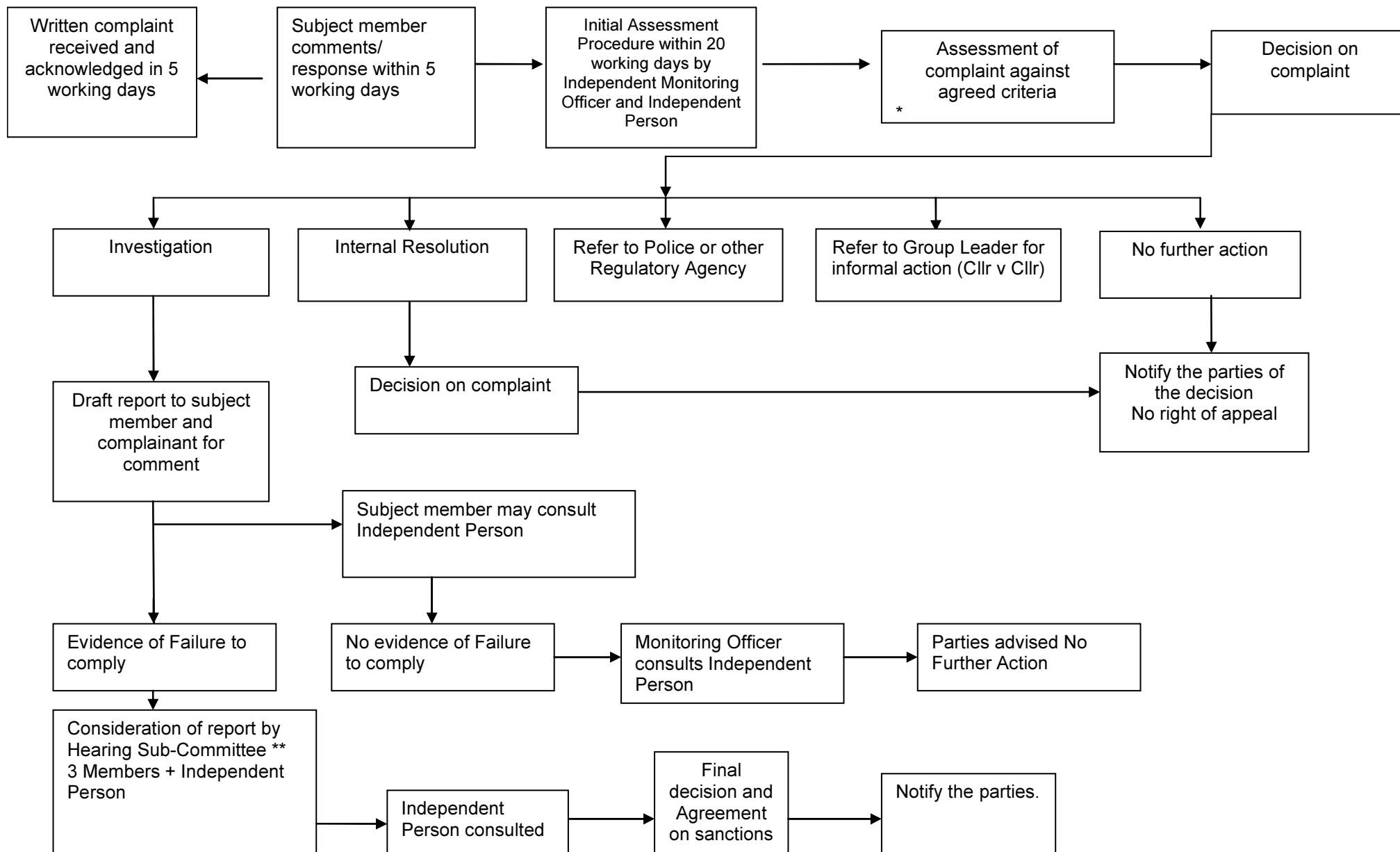
4. Before coming to his/her decision under para 3 the MO may request further information and/or clarification from the complainant and/or the subject member. Where this is the case time period may be extended up to a maximum of a further 15 working days.
5. If the MO decides that the complaint should be investigated, or his/her attempts to resolve the complaint without an investigation do not succeed, then he/she will carry out an investigation or appoint an investigator to carry out an investigation on his/her behalf.
6. Investigation:
The Investigator appointed under para 5 by the MO may be;
 - (a) A senior officer of the Town or Parish Council.
 - (b) A senior officer of Cheshire East Borough Council.
 - (c) An external investigator with relevant experience and appropriately trained.
7. Before finalising his/her report the investigator shall send a copy of it to both the complainant and subject member and give them at least 5 working days to comment on it.
8. A report into an investigation shall include the investigator's findings on whether the Code has been breached. If the investigator's final report finds there has not been a breach of the Code the MO can, in consultation with IP, decide to
 - (a) Take no action.
 - (b) Refer the report to the Audit and Governance Hearing Sub-Committee (Hearing Sub-Committee).
9. If the investigator's report finds there has been a breach of the Code then the MO must refer the matter to the Hearing Sub-Committee. That committee will meet in public.
10. Hearing Sub Committee:
When the matter has been referred to the Hearing Sub Committee by the MO, it will:
 - (a) Allow the investigator to present his/her report and call witnesses, including the complainant.
 - (b) Allow the subject member to make representations and call witnesses.
 - (c) Decide if the subject member has or has not breached the Code of Conduct.
 - (d) Decide what sanction should be imposed if they decide the Code has been breached.
11. The sanctions the Hearing Sub Committee can impose, if they find a breach of the Code are;
 - (a) Censure or reprimand the member;
 - (b) Publish its findings in respect of the member's conduct.
 - (c) Report its findings to Council or the Town or Parish Council for information and make any recommendations ;
 - (d) Recommending to the member's Group Leaders (or in the case of ungrouped members, recommending to Council or to Committees) that

- he/she be removed from any or all Committees or Sub-Committees of the Council;
- (e) Recommend to the Leader of the Council that the member be removed from the Executive, or removed from particular Portfolio responsibilities.
 - (f) Instruct the Monitoring Officer to, or recommend that the Town or Parish Council arrange training for the member;
 - (g) Remove or recommend to Authority Town or Parish Council that the member be removed from all outside appointments to which he/she has been appointed or nominated by the Authority or by the Town or Parish Council;
 - (h) Withdraw, or recommend to the Council or Town or Parish Council that it withdraws facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access; or
 - (i) Exclude the Member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.
12. In reaching a decision as to whether there has been a breach of the Code and if so what sanction should be imposed the Hearing Sub Committee will consult and consider the views of IP.
13. Following any final decision by the MO or the Hearings Sub Committee (at whatever stage) the MO shall inform the complainant and the subject member of the decision and the reasons for it within 10 working days.
14. Wherever there has been a decision that the subject member has breached the Code of Conduct that decision and the reasons for it shall be put on the Council's website in a prominent position. Wherever there is a decision that the subject member has not breached the Code of Conduct that decision shall be put on the Council's website, in a prominent position if the subject member wishes to be.
15. Any decision of the MO or Hearing Sub-committee shall be final and binding.
16. The MO will present a report to the Audit and Governance Committee twice a year giving;
- (a) the number of complaints received and brief details.
 - (b) how they are progressing.
 - (c) what decisions have been made.
 - (d) what action has, where appropriate, been taken.
17. The MO has delegated power, in consultation with the IP and the Chair of the Audit and Governance Committee or, in his/her absence, the Vice Chair of Audit and Governance Committee, to approve a departure from these arrangements when he/she considers it is expedient to do so to secure the effective and fair consideration of any matter.
18. In all cases where the MO is unable to perform his/her role his/her deputy will do so.

Procedure for Complaints

* meeting is held in private

** meeting is held in public



Appendix 6

MEMBERS' CODE OF CONDUCT – COMPLAINT HANDLING HEARING SUB COMMITTEE – HEARING PROCEDURE

1. Date of Hearing

- 1.1 The Monitoring Officer will arrange a convenient time and date for the Sub Committee to meet and determine the matter. It is anticipated that a hearing will be dealt with on a single day. In any event, the hearing must take place within three months of receipt of the investigation report by the Monitoring Officer.
- 1.2 At least five clear working days before the hearing, the Subject Member and Investigator shall be notified of the date, time and place of meeting.
- 1.3 At least five clear working days before the hearing, the Monitoring Officer will send to each member of the Sub Committee, the Subject Member and the Investigator:
 - The agenda for the meeting; and
 - A copy of the investigation report.
- 1.4 The documentation sent out must be treated by all recipients as confidential information until such time (if any) as the report is made available to the press and public or the Sub Committee agrees that the press and public should not be excluded from the meeting at which the allegations are heard.
- 1.5 The date of the meeting and the outline agenda is published on the Council's website.

2. Representation

- 2.1 The Subject Member may be represented or accompanied during the hearing by another person as long as the Sub Committee or its intended Chairman has given prior consent.
- 2.2 The Subject Member may make representations (orally or in writing) or present evidence in accordance with this procedure either personally or through his or her representative. The Committee will not normally permit the Subject Member and his or her representative to both make representations, although the Subject Member may present evidence him or herself whether or not represented.

3. Legal Advice

- 3.1 The Sub Committee may take legal or procedural advice at any time during the hearing or its deliberations. The substance of any such advice should generally be shared with the Subject Member and/or his representative and the Investigator if they are present.

4. Introductions at the Hearing

- 4.1 The Chairman will introduce each of the Members of the Sub Committee, and shall also introduce any of the Officers present. The Subject Member, his or her representative, the Independent Person, and the Investigator shall introduce themselves.

5. Procedural Issues

5.1 Disclosure of Interests

The Chairman shall ask Members of the Sub Committee to disclose the existence and nature of any interests which they have in relation to any items on the agenda. Members are required to disclose any such items under the terms of the Council's Code of Conduct.

- 5.2 The Chairman will then explain the procedure which the Sub Committee intends to follow and resolve any issues or disagreements over how the hearing will be run, calling upon the Monitoring Officer to assist if appropriate.

5.3 Quorum

At least three members of the Sub Committee must be present for the duration of the hearing.

The members of the Sub-committee are all elected members of Cheshire East Borough Council, (drawn from a pool of 15 members constituted on a politically proportionate basis, which includes the members of the Audit and Governance Committee).

- 5.4 The Chairman will satisfy him/herself that the Sub Committee is quorate before proceeding.

5.5 Absences

If the Subject Member is not present, then the Sub Committee shall consider whether or not to proceed. If the Sub Committee is not satisfied that there is sufficient reason for the Subject Member's absence, it may either proceed to consider the matter and make a determination in the absence of the Subject Member, or adjourn the hearing to another time or date. If the Sub Committee is satisfied there is sufficient reason, it shall adjourn the hearing to another date unless the Subject Member has indicated that the hearing should proceed in his or her absence.

- 5.6 Should the Member's representative not be present, then the Sub Committee may proceed or adjourn as it considers appropriate in the particular circumstances.

- 5.7 The Sub Committee and the Monitoring Officer must in any event ensure that the hearing is held within three months from the date when the Monitoring Officer received the investigation report from the Investigator.

5.8 Exclusion of Press and Public

Hearings should normally be held in public unless there are proper reasons to exclude the press and public from all or any part of the hearing in accordance with the Council's Access to Information Rules. The Chairman will ask the parties present for their views and take any appropriate advice from the Monitoring Officer and/or Independent Person and the Sub Committee will then decide whether to exclude the press and public from all or any part of the hearing. The Sub Committee may reconsider this issue at any point in the hearing.

6. Hearing the Matter

- 6.1 The Sub Committee will then consider whether the Member failed to comply with the Code of Conduct as set out in the Investigator's report. The Sub Committee will adopt as far as reasonably practicable an inquisitorial approach to the hearing rather than permit an adversarial or hostile approach to develop.

7. Presenting the Investigator's Report

- 7.1 The Investigator, if present, will be asked to present his or her investigation report, paying particular regard to any points in dispute identified by the Subject Member and why the Investigator considered that the Member had failed to comply with the Code of Conduct.
- 7.2 Should the Investigator not be present, the Sub Committee will consider whether it is appropriate in all circumstances to proceed with the hearing. The Investigator may, with the consent of the Chairman, call such witnesses as he/she considers necessary.
- 7.3 No cross-examination of the Investigator or any witness shall be permitted, but at the conclusion of the Investigator's presentation of his or her report and at the conclusion of the evidence of any witness, the Chairman may permit the Independent Person, Subject Member or his or her representative to ask appropriate questions through the Chairman in order to clarify evidence or conclusions.

8. The Subject Member's Reply

- 8.1 The Subject Member (or his or her representative) will then be invited to make representations on the matter. The Member may, with the consent of the Chairman, call such witnesses as he/she considers necessary.
- 8.2 No cross-examination of the Subject Member or witness shall be permitted, but at the conclusion of the Subject Member's presentation of his or her representations and at the conclusion of the evidence of any witness, the Chairman may permit the Investigator and Independent Person to ask appropriate questions through the Chairman in order to clarify evidence or conclusions.

9. Evidence

- 9.1 The Sub Committee may decide not to hear any evidence if it is not satisfied that the evidence will assist its decision making.
- 9.2 The Sub Committee may at any time seek or accept additional evidence or comment from the Investigator, the Subject Member, or any other person. The Sub Committee may at any time arrange for the attendance of such witnesses as it considers appropriate and if necessary may adjourn the hearing to allow this to happen.
- 9.3 Members of the Sub Committee may ask questions of any persons present at any point in the proceedings. The Sub Committee is entitled to rely upon hearsay evidence but will give such weight to it as it deems appropriate.

10. Determination of the Matter

- 10.1 At the conclusion of the Subject Member's reply and any questions, the Chairman may ask the Investigator and/or Subject Member if they wish to make any brief concluding remarks. The Chairman will check that Members of the Sub Committee are satisfied that they have sufficient information to enable them to determine whether or not there has been a failure to comply with the Code of Conduct as set out in the Investigator's report. If not, then each member of the Sub Committee may ask further questions to gather sufficient information.
- 10.2 Unless the Subject Member has accepted there was a failure to comply with the Code of Conduct as set out in the Investigator's report, the Committee shall retire to determine in private whether or not there was such a failure on the balance of probabilities. The Sub Committee will seek the views of the Independent Person before making its determination

11. Decision

- 11.1 Having made its determination, the Sub Committee shall return and the Chairman will state the Committee's principal findings on matters in dispute and its decision on whether there has been a failure to comply with the Code.
- 11.2 No Failure to Comply with the Code of Conduct

If the Sub Committee decides that the Subject Member has not failed to comply with the Code of Conduct as set out in the investigation report, the hearing is concluded - on the basis of no breach of the Code of Conduct and no case to answer. However if the Sub Committee considers that there has been no breach of the Code of Conduct but still has some concerns it will issue a finding of no breach of the Code of Conduct, but may then proceed to consider whether it should make any general recommendations to the Council, Town or Parish Council, or its Members, with a view to promoting high standards of conduct in the light of concerns raised.

11.3 Failure to Comply with the Code of Conduct

If the Sub Committee decides that the Member has failed to comply with the Code of Conduct, the Sub Committee has to decide either that:

11.3.1 No action needs to be taken in respect of the matter; or

11.3.2 A sanction be imposed

11.4 Before deciding whether to impose a sanction, the Sub Committee will consider any representations from firstly the Investigator and then the Subject Member. They will also consider any Officer advice and the views of the Independent Person as to:

11.4.1 Whether or not the Sub Committee should impose any sanction; and

11.4.2 What form any sanction should take from those available;

- (a) Censure or reprimand the member;
- (b) Publish its findings in respect of the member's conduct.
- (c) Report its findings to Council or the Town or Parish Council for information and make any recommendations ;
- (d) Recommending to the member's Group Leaders (or in the case of ungrouped members, recommending to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
- (e) Recommend to the Leader of the Council that the member be removed from the Executive, or removed from particular Portfolio responsibilities.
- (f) Instruct the Monitoring Officer to, or recommend that the Town or Parish Council arrange training for the member;
- (g) Remove or recommend to Authority Town or Parish Council that the member be removed from all outside appointments to which he/she has been appointed or nominated by the Authority or by the Town or Parish Council;
- (h) Withdraw, or recommend to the Council or Town or Parish Council that it withdraws facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access; or
- (i) Exclude the Member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

11.5 Members of the Sub Committee may ask questions of the Investigator and Subject Member or any other relevant person and take any necessary advice to make sure they have sufficient information in order to make an informed decision.

- 11.6 The Sub Committee shall then retire to determine in private whether to impose one or more sanctions and, if so, what and when it will take effect. It may also consider whether it should make any recommendations to the Council or Members with a view to promoting high standards of conduct.
- 11.7 The Sub Committee will then return, and as far as is practicable, the Chairman will announce the Sub Committee's decision to the parties on the day and provide a short written confirmation. The Sub Committee will issue a formal written decision together with supporting reasons as soon as practicable after the end of the hearing and in any event within ten working days.

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 26 June 2014
Report of: Head of Internal Audit
Title: Internal Audit Annual Report 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with the Internal Audit Managers' opinion on the overall adequacy and effectiveness of the Council's control environment for 2013/14. The Council's Audit Managers must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement.
- 1.2 It is important for this Annual Report to be placed in context. Since 2010 public services have faced unprecedented change. Like all local authorities, this Council continues to be affected by Central Government's austerity measures, as it wrestles with the size of the national debt.
- 1.3 The Council's medium term financial strategy illustrates the scale of the challenge it faces over the next few years. Alongside its ambitious major change programme the Council expects to continue to balance its budget - despite increased demands and high public expectations - by: innovation, creativity, and a hard commercial focus on costs, productivity and income generation.
- 1.4 The Council's 2013/14 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas. For example:
- additional work on programme and project management processes; and
 - work to review the development of the Council's new delivery vehicles.
- 1.5 The Audit Managers' opinion, set out in section 3 of the report states that:
- The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.*
- This framework continues to be developed as the Council progresses through a period of rapid and unprecedented change.*

2.0 Recommendation

- 2.1 The Committee is asked to consider the Internal Auditors annual report for 2013/14.
- 2.2 The Committee is asked to note the Internal Auditors opinion for 2013/14.

3.0 Reasons for Recommendation

- 3.1 In order to comply with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit must provide a written annual report to those charged with governance timed to support the Annual Governance Statement (AGS).

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 The Internal Audit team must be appropriately resourced to comply with statutory and best practice requirements. Internal Audit was removed at a late stage from the recent Management Review in the light of the Council's transition to a strategic commissioning authority and the introduction of new delivery models. The arrangements will be reviewed during 2014/15.

8.0 Legal Implications (Authorised by the Head of Legal Services)

8.1 Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2011 establishes a specific responsibility for the Council to conduct a review at least once a year of the effectiveness of its system of internal control.

9.0 Risk Management

9.1 Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment, could result in non-compliance with the requirements of the Accounts and Audit Regulations 2011.

10.0 Background

10.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the AGS. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.

10.2 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the proper practices.

10.3 The Head of Internal Audit provides a written report to those charged with governance timed to support the Annual Governance Statement. The primary purpose of the report, which is set out in Appendix A, is to provide an opinion

on the overall adequacy and effectiveness of the Council's control environment. The report is written by the two Audit Managers, covering the functions of the Head of Internal Audit.

11.0 Access to information

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

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Designation: Audit Manager

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Internal Audit Annual Report 2013-14

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Cheshire East Council - Internal Audit Annual Report 2013/14

1 Introduction

- 1.1 From 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note superseded the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom as the standards by which all Local Government Internal Audit Sections must comply.
- 1.2 As set out in the PSIAS, the Council's Audit Managers must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
- 1.3 It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification;
 - disclosure of any impairments ('in fact or appearance') or restriction in scope

- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and target;
- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

2 Background and Context

- 2.1 It is important for this Annual Report to be placed in context. Since 2010 public services have faced unprecedented change. Like all local authorities, this Council continues to be affected by Central Government's austerity measures, as it wrestles with the size of the national debt.
- 2.2 The Council's medium term financial strategy illustrates the scale of the challenge it faces over the next few years. Alongside its ambitious major change programme the Council expects to continue to balance its budget - despite increased demands and high public expectations - by: innovation, creativity, and a hard commercial focus on costs, productivity and income generation. It remains clear that the overall cost base of the Authority will have to continue to reduce.
- 2.3 The Council is developing new approaches to service delivery to get the best from in-house services. These

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include joint ventures between the Council and other providers, and new delivery vehicles including Council owned and controlled companies, social enterprises and Trusts.

- 2.4 The Council's 2013/14 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas. For example:
- additional work on programme and project management processes; and
 - work to review the development of the Council's new delivery vehicles.

3 Opinion on the Control Environment

- 3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 3.2 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been addressed.
- 3.3 During 2013/14 Internal Audit identified, and was made aware of, a number of issues with regard to the

adequacy and effectiveness of the Council's system of internal control. A significant amount of work has been done in response to these issues. In particular, the risk management and internal control framework is now in place. More work is required so that the framework is fully, and consistently, embedded into the Council's governance arrangements.

- 3.4 Importantly, the Council's senior managers have agreed a range of specific actions in response to the issues raised by Internal Audit. The ongoing challenge is the inherent risk of the breakdown in control, especially where responsibilities and systems are changing. This is particularly true in the context of the Council's ambitious plans to transform service delivery and secure significant cost savings by putting residents and businesses first.
- 3.5 Further assurance can also be taken from the operational and financial performance achieved in 2013/14. The environment remains challenging across the public sector; continued focus on improving and enhancing the governance and stewardship arrangements of the organisation remains a high priority.

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Audit Managers' opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.

This framework continues to be developed as the Council progresses through a period of rapid and unprecedented change.

Evidence throughout 2013/14 shows that appropriate strategies and policies are in place and have been communicated. Understanding, application and compliance is not yet consistent across the organization and given the scale and pace of change, this is inevitable. Action has already been taken, or is planned, to address all of the issues raised by internal audit.

This opinion is based upon:

- the programme of internal audit reviews - including opinion based work undertaken during the year;
- Management's response to advice and recommendations
- the process of producing the Council's annual governance statement; and
- the Council's Annual Report on its Risk Management Arrangements

4 Summary of Audit Work 2013/14

- 4.1 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.
- 4.2 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.
- 4.3 A risk based Internal Audit plan is produced each year to ensure that:
 - the scale and breadth of audit 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 i.e. risk based coverage.

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- 4.4 In preparing the risk based plan for 2013/14 the Council's audit managers consult with the Corporate Leadership Board and the Audit and Governance Committee. They also consider:
- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
 - their own risk assessment;
 - the Council's Three Year Plan 2014/2017; and
 - discussion with key stakeholders including external audit, the internal audit team and also the Cheshire West and Chester internal audit team in relation to shared services.
- 4.5 The plan is broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion.
 - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.6 The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both the Corporate Leadership Board and the Audit and Governance Committee.
- 4.7 During 2013/14, interim reports on progress against the Internal Audit Plan were regularly brought to this Committee.
- 4.8 Following a half year review, areas to be audited in the remainder of the year were re-assessed and re-prioritised. A summary comparison of the 2013/14 Audit Plan (and mid-year revision) with actuals for the year is shown on page 5.
- 4.9 A summary of the audit work carried out during the year, from which the Annual Internal Audit Opinion is derived, and the relative outputs from that work is shown on page 6.

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Summary comparison of Audit Plan against actual 2013/14

Area of Plan	Original Plan		Revised Plan		Actual		Comments on planned/actual coverage
	Days	%	Days	%	Days	%	
Chargeable Days	1565		1510		1612		
Less: Corporate Work	(110)		(180)		(205)		Including Audit & Governance Committee support.
Available Audit Days:	1455	100%	1330	100%	1407	100%	
Corporate Governance	60	4%	95	7%	88	6%	
Key Financial Systems	120	8%	90	7%	95	7%	Majority of projects completed. Two projects carried forward due to timing of new arrangements/system.
Shared Services Key Financial Systems	115	8%	110	8%	118	8%	Planned work completed.
Corporate Cross-Service	180	12%	294	22%	292	21%	Planned time increased re ASDVs and Project Health Checks.
Children, Families & Adults	240	17%	230	17%	271	19%	
Public Health	40	3%	40	3%	22	2%	Work commenced in 4th quarter and continuing into 14/15.
Places & Organisational Capacity	120	8%	117	9%	132	9%	
Working with External Organisations	50	3%	25	2%	7	1%	Time transferred to Corporate Cross-Service work (ASDVs).
Anti Fraud and Corruption	180	12%	178	13%	226	16%	Reactive investigation work agreed with senior officers and members.
Consultancy & Advice	100	7%	77	6%	98	7%	
Contingency	190	13%	-	0%	0	0%	All 13/14 contingency allocated across priority areas.
Follow Up	40	3%	54	4%	48	3%	Follow up of Internal Audit actions and external recommendations.
External Work - PATROL	20	2%	20	2%	10	1%	Work commenced in 4 th quarter and continuing into 14/15.
Total Audit Days	1455	100%	1330	100%	1407	100%	

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Summary of Audit Work to support the overall opinion

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Project Health Checks	Assessment of whether the required elements to deliver projects successfully are in place and operating effectively.	Audit Reports
Schools	Assessment against Schools Financial Value Standard	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Corporate Management Team
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Risk Management	Support and Contribution to the Corporate Risk Management Group including update reports.	Reports to Audit & Governance Committee
Counter Fraud	Review of Anti Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Audit Commission website/update reports to Corporate Risk Management Group/Investigation Reports.
	Investigations	Investigation Reports
Technical Enabler Group (TEG)	Support and contribution to TEG, which supports the Executive Monitoring Board (EMB).	Gateway Progress Report detailing TEG Outcome for use by EMB.
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/ Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Consolidated Action Plan (CAP)/Follow Up reports/action plans

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Assurance Work

- 4.10 In-year reports to this Committee reported Internal Audit's focus on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels. There were no areas that resulted in 'no' assurance given in 2013/14.

Summary of reports by assurance level

Assurance Level	Audit Reports 2013/14	Audit Reports 2012/13
Good	2	0
Satisfactory	5	14
Limited	16	11
No	0	1

Note: includes assurance levels on Project Health Checks. Implementation of these recommendations is monitored by Executive Monitoring Board (EMB) (see 4.23 – 4.27)

- 4.11 Management has responsibility for ensuring that the agreed actions for improvement are implemented. Formal management responses to the above reports have been received, or in a small number of cases, are due in the coming weeks. Where responses have been received, all actions have been agreed by management.

- 4.12 Internal Audit continues to obtain assurance that actions have been implemented, especially those deemed high priority.

Limited Assurance Reports

- 4.13 Further detail is provided on those audits with 'Limited' or 'No' assurance during the period under review. All actions from these audits have been agreed with management and progress on implementation will be monitored through the normal processes.

- 4.14 The 'limited assurance' reviews reported in 2013/14 are grouped under common themes:

- new and emerging risk areas;
- risk areas highlighted by management/previous audits;
- key financial systems – identified risk areas; and
- National Fraud Initiative (NFI) exercise – identified risk areas.

- 4.15 A brief summary of those 'limited assurance' reports produced in the last quarter of 2013/14 is included later in this section. The summaries of other 'limited assurance' reviews were included in the interim reports to this Committee in November 2013 and January 2014.

- 4.16 In each case a number of recommendations have been made. When implemented these will address the identified weaknesses and improve the control environment. All actions from these audits have been,

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or are currently being, agreed with management and progress on implementation will be monitored through normal processes.

- 4.17 **Officer and Member Disclosures** – this audit tested whether the relevant policies and guidance were in place to support the disclosure process and whether they were owned, communicated effectively and properly complied with.
- 4.18 The audit concluded that there were some weaknesses in the control environment and that disclosures were not being managed consistently and effectively enough across the Council.
- 4.19 **Expenses** – this audit reviewed the systems and controls in operation to manage claims for reimbursement of expenses. It was done to obtain assurance that robust controls were in place to manage the risk of falsified or overstated expense claims. We selected an initial sample of 20 high value claims totalling £18,000 (out of £500,000 paid in expenses in a six month period). We also selected some additional items to test potential duplicate claims.
- 4.20 The audit concluded that whilst controls were in place, the lack of a clear policy setting out the requirements for both staff and managers had resulted in significant variations in practice. A small number of overpayments resulted from claims of approximately £1,000 being submitted twice. We found no evidence of fraud

relating to these claims and are satisfied that the overpayments are due to an administrative error. We will do some further spot checks during 2014/15 to ensure the agreed changes are implemented.

- 4.21 **Childrens Care Homes** - reviews of two homes were carried out to assess the adequacy of the systems, processes and controls in respect of managing resources and to ensure that roles and responsibilities were properly defined and understood.
- 4.22 The review concluded that the financial processes at both homes were generally compliant. A number of control issues were highlighted during the audit including purchasing processes and inventories. This was expected as the homes had not been audited previously. All actions have been agreed by management and will be followed up during 2014/15.

Project Health Checks

- 4.23 During 2013/14, Internal Audit worked with the Executive Monitoring Board (EMB) to develop the project health check process. This provides an independent assessment of whether the required elements to deliver projects successfully, e.g. good project management practices, appropriate resources, are in place and operating effectively.
- 4.24 The results of these assessments are reported to EMB following agreement of recommendations with the

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Senior Responsible Officer (SRO) and Project Manager (PM). Following implementation these recommendations will promote successful conditions and increase the chance of delivering the required outcome. Project assurance is also provided by the SRO with regard to the success of the project and what benefits are likely to be realised. Monitoring the implementation of recommended actions is carried out by EMB.

- 4.25 During 2013/14, a pilot review and second review (of the Leisure Delivery Model and the new Adult Financials projects respectively) were successfully completed and well received by the project teams. The results of the reviews and subsequent progress in implementing recommendations have been reported to EMB.
- 4.26 Internal Audit has also provided all SROs with a checklist on the controls and evidence that would be expected as part of a Project Health Check. This can be used by SROs to self assess their own project management arrangements.
- 4.27 Two further Health Checks have since been carried out on Bereavement and Environment Service. The findings of these Health Checks have informed an action plan which will be used by the Corporate Programme Management Office to further develop and embed the corporate approach across the organisation. For the most part the recommendations relate to project

management issues rather than the alternative delivery vehicles themselves.

Schools

- 4.28 During 2013/14, Internal Audit carried out a number of themed income and purchasing audits at four primary schools and the Pupil Referral Unit, and full 'Keeping Your Balance' audits at three secondary schools. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
 - the number of School's Financial Value Standard (SFVS) self assessment returns received; and
 - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.29 The work undertaken by Internal Audit provides assurance that the majority of controls relating to high risk areas are operating effectively. While some inconsistencies in the application of controls were highlighted, these are not considered to be significant issues. They have been reported to the relevant schools and also shared with all schools using our established network.

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Supporting Corporate Governance

- 4.30 In accordance with Regulation 4 of the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).
- 4.31 Internal Audit has assisted Management in the production of the Council's AGS for 2013/14 by:
- collecting evidence for and production of the 2013/14 Annual Governance Statement.
 - contribution to and production of Audit & Governance Committee reports on Corporate Governance.
 - Audit Manager representation on and contribution to the Corporate Governance Group (CGG) in order to advise on risk management, control, and governance issues that have been identified through audit work and ensure that the findings have been considered when determining the 2013/14 AGS action plan.
 - Audit work in contribution to and production of CGG reports to Corporate Leadership Board.

Risk Management

- 4.32 Internal Audit assisted in the Management of Risk through:
- Delivery of a risk based audit plan; and

- Audit Manager representation on and contribution to the Corporate Risk Management Group (CRMG) - to advise on risk management, control, and governance issues identified through audit work.

- 4.33 Formal reports with regard to the risk management process are made throughout the year to Corporate Leadership Board, Cabinet and the Audit and Governance Committee.

Counter Fraud

- 4.34 As reported in January 2014, the Chief Operating Officer (COO) has allocated responsibility for the Council's response to fraud to the Head of Corporate Resources and Stewardship. Since then a review of the Council's overall arrangements has started focussing on maximising the scope of the existing investigative resource to cover all areas identified as being at risk of fraud from both internal and external sources.
- 4.35 The Member/Officer Fraud Sub Group continues to meet on a regular basis. This allows the Audit Managers to provide further detail to members on emerging fraud risks and the anti fraud work carried out by Internal Audit.
- 4.36 During 2013/14, Internal Audit carried out a number of investigations across the Council with appropriate action taken, where necessary. Internal Audit also provided support and advice to investigations where

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management had appointed another investigating officer. There are no significant issues arising from this work to bring to the Committee's attention. An Annual Fraud Report will be brought to the Committee in November 2014.

- 4.37 Work has also been done on the National Fraud Initiative (NFI) - including coordination of the flexible matching submission that took place in February 2014 and preparatory work for the upcoming exercise in October 2014. Specific tasks included ensuring that fair processing notices are in place and are compliant with the Data Protection Act, and liaison with services to identify responsible officers for the extract of data and investigation of matches. Further work was done to ensure that the requirements of NFI were taken into consideration in the formation of the new ASDV's. Work is ongoing in this area and will be reported as part of the Annual Fraud Report in November 2014.

Technical Enabler Group (TEG)

- 4.38 In addition to the Project Health Check work outlined in 4.23 to 4.27, Internal Audit also sits on the Technical Enabler Group (TEG) which supports EMB and comprises senior officers representing key corporate enablers.

Consultancy and Advice

- 4.39 During the year, Internal Audit provided advice - at the specific request of management. The nature and scope of these engagements are generally aimed to improve governance, risk management and control and contribute to the overall opinion. This year advice was given on new arrangements including ASDVs and the application of Finance & Contract Procedure Rules.

Statutory Returns/Grant Claims

- 4.40 Internal Audit is sometimes required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project. During 2013/14 this included work on the Growing Places Fund and sign off of four grants, including the Department of Energy and Climate Change's 'Green Deal' – with no amendments.

Implementation of Audit Recommendations

- 4.41 Throughout 2013/14, Internal Audit completed a range of follow up exercises to ensure recommendations are implemented. This work is done in a number of different ways:
- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee.

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- Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management.
- Formal assurance audits (see 4.10 - 4.22).

- 4.42 As previously reported to the Committee, Internal Audit have also developed the follow up procedure for formal assurance reports. Managers are now asked to assess their own performance and to feedback to the audit team. More detailed checks are then done across a sample of implemented recommendations.
- 4.43 Audits with 'limited' or 'no' assurance are subject to more detailed review. In addition, key systems (e.g. Payroll, Accounts Payable) are audited each year with recommendations followed up as part of the work.
- 4.44 At the beginning of 2013/14, the Chief Operating Officer, (COO), introduced a new process to monitor outstanding actions for the Council. This includes recommendations from both Internal and External Audit. The Consolidated Action Plan (CAP) has been monitored throughout the year with managers providing progress reports on the implementation of actions assigned to them.
- 4.45 Internal Audit also introduced a new performance indicator reporting on the implementation of audit recommendations within timescale.

2013/14 implementation of agreed recommendations

On time	After the agreed date	Total implemented	In progress or part implemented
26%	56%	82%	18%

- 4.46 The indicator shows that a high percentage (82%) of 2013/14 agreed recommendations have been implemented. However too many of these are implemented after the agreed timescale. In part this is due to the extent and range of change activity over the past year. The Chief Operating Officer has made a commitment to improve this indicator in 2014/15. He will work with Internal Audit and the Corporate Leadership Board, (CLB), to ensure this happens.
- 4.47 Throughout the year Internal Audit has been working closely with senior officers to promote the timely implementation of audit recommendations. In some cases the scale of change now means that the original recommendation is no longer appropriate. In these circumstances Internal Audit continue to liaise with managers to agree a more appropriate action. Where there are common themes or patterns emerging where agreed recommendations (high and medium rated) are not being progressed, these are escalated to COO and, where necessary, to CLB.

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- 4.48 During the past year common themes include:
- Ownership of actions – the timing of the management review has sometimes led to delays. In addition structural changes mean that actions now rest with different managers not involved in the original audit work.
 - Actions linked to development of new/emerging strategies e.g. Asset Management/ Procurement/ASDVs.
 - Actions linked to a change in the Constitution.
 - Actions linked to changes in processes beyond the direct control of an individual manager.
- 4.49 The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve. Internal Audit will continue to work with CLB and other senior managers to improve this important indicator. A formal reminder and strengthened escalation process to the Corporate Leadership Board is now in place, led by the Co.

2014/15 implementation of agreed recommendations target:

90% (75% within timescale)

Ongoing Work

- 4.50 The following audits commenced during 2013/14, with work ongoing in the first quarter of 2014/15:
- Schools – Consolidated Report
 - Carbon Reduction
 - Risk Management
 - Project Health Check – Bereavement
 - Project Health Check – Environment Services

Reliance placed on the work of other assurance bodies

- 4.51 Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.

5 Annual Governance Statement 2013/14

- 5.1 Each year the Council produces an Annual Governance Statement that explains how it makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour.
- 5.2 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the Annual Governance Statement, (AGS). There are no outstanding significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2013/14 Annual Governance Statement.

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- 5.3 The Council's assessment of its governance arrangements in 2013/14 has not identified any significant issues. The AGS does however identify a small number of areas that require further attention and improvement during 2014/15. It also acknowledges emerging governance issues for the Council. These will be monitored by the Corporate Governance Group during 2014/15. They will be escalated, as necessary, to the Corporate Leadership Board, Audit and Governance Committee and/or Cabinet.
- 5.4 Internal Audit is already involved in supporting the Corporate Governance Group to ensure that effective improvements and mitigating actions are implemented.

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6 Internal Audit Performance

- 6.1 Internal audit's performance is measured in a number of ways. Its performance against the new indicator – implementation of agreed recommendations is reported in paragraph 3.44. The internal audit team's performance overall is slightly below the levels achieved in 2012/13. In part this is due to the pressures of competing demands, ongoing vacancies and the proportion of higher risk reviews completed.

Performance Indicator	2014/15 Target	2013/14 Actual	2013/14 Target	2012/13 Actual	Comments on 2013/14 Actuals
Percentage of Audits completed to user's satisfaction	92%	89%	90%	94%	Slightly below target. Some lower scores for schools (see comments below).
Percentage of significant recommendations agreed	90%	93%	85%	93%	Above target.
Productive Time (Chargeable Days)	80%	82%	80%	84%	Above target.
Draft report produced promptly (per Client Satisfaction Form)	95%	78%	90%	90%	Staffing capacity caused delays in issuing a number of school reports. This resulted in a number of lower scores and also impacted upon user satisfaction levels. This has now been addressed through the audit planning process by ensuring there is adequate time built into the audit programme.

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Benchmarking

- 6.2 Benchmarking is an important tool to help identify areas for review, drive improvement and deliver better value for money. The Council has not taken part in formal benchmarking in recent years. The Chief Operating Officer has instructed that all corporate support teams take part in the CIPFA Benchmarking Club in 2014/15.
- 6.3 Through the Benchmarking Club, staffing cost data is collected for the internal audit function in order to derive the number of audit days available and the cost per audit day. The number of audit days per £million authority gross revenue turnover is compared and further analysed by: type of audit, system audited and type of risk. There is also comparison and analysis of the cost per auditor and the number of chargeable days per auditor.
- 6.4 This year's exercise has been completed and submitted, with the results due in August. These will be shared with the Committee and relevant Member/Officer Group, as appropriate.

7 Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 7.1 Regulation 6 of the Accounts and Audit Regulations 2011 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings. This review has been carried

out by self assessing compliance with the Public Sector Internal Audit Standards (PSIAS).

- 7.2 The review, completed by the Audit Managers has concluded that, although there are areas for improvement, the internal audit service is being delivered to the required standard. This contributes to the assurances received for the AGS and will be shared with members of the Committee as part of the AGS process in September.

8 Other Developments

- 8.1 For the majority of 2013/14, Internal Audit reported to the Head of Governance and Democratic Services. From January 2014, Internal Audit reported directly to the new Head of Resources and Stewardship - with a continuing indirect line to the Chief Operating Officer, (Section 151 Officer).
- 8.2 The Head of Resources and Stewardship is reviewing the organisational structure and overall capacity of the internal audit team. The results of that review will be agreed with the Chief Operating Officer and reported to the Audit and Governance Committee in September.

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of meeting: 26 June 2014
Report of: Judith Tench, Corporate Resources and Stewardship
Title: Annual Report on Risk Management from the Corporate Risk Management Group
Portfolio Holder: Councillor David Brown

1.0 Report Summary

- 1.1 In February 2013 the Council set out its three year plan to becoming a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity. This approach has provided a platform to redefine and reinvent the Council in a systematic way. The focus has been to deliver the services that are needed by Cheshire East residents and businesses in a sustainable, quality and cost effective way.
- 1.2 This philosophy is about more than simply reducing costs through arranging cheaper provision or about traditional outsourcing. New approaches to service delivery are being developed to get the best from in-house services. These include joint ventures between the Council and other providers, and new delivery vehicles including Council owned and controlled companies, social enterprises and Trusts.
- 1.3 Cheshire East's strong tax base and greater independence provides financial stability and offers some 'local protection' from the impact of national economic fluctuations. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is also important to note that total spending per head of population is below average compared to nearest neighbours.
- 1.4 The published medium term financial strategy illustrates the scale of the challenge the Council faces over the next few years. But its strong financial performance in 2013/14 provides a good platform for the future. Given this national and local context its overall financial risk profile is now lower than it was a year ago. The Council's consideration and response to risks, and its ability and capacity to recognise and seize new opportunities, underpin its successful performance in 2013/14. The Council continues to strengthen its risk management framework and is working towards reaching a risk maturity level of 'risk managed'. Now part way through its 3 Year Plan, the Council is using its risk management framework to anticipate eventualities and help it respond to changes so that it is fit for purpose to meet the needs of Cheshire East residents and businesses.

- 1.5 The Council expects to continue to balance its budget despite increased demands and high public expectations. This will be achieved by innovation, creativity and a hard commercial focus on costs, productivity and income generation. It remains clear that the overall cost base of the Authority will have to continue to reduce. The Council's risk management framework strengthens the effectiveness of its overall governance framework, and provides a mechanism to ensure that the balance between risk and reward is reflected in its decision making.
- 1.6 This is the annual report of the Corporate Risk Management Group to the Audit and Governance Committee. It covers the financial year from 1 April 2013 to 31 March 2014 and includes any significant issues up to the date of the preparation of the report. 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.
- 1.7 This report also records the work of the Corporate Risk Management Group (the Group) for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. Part of the work of the Group included an annual review of the Risk Management Policy. Although the Policy remained fit for a purpose a number of minor amendments have been made to strengthen it.

2.0 Recommendations

- 2.1 The Audit and Governance Committee is asked to consider and review the annual report of the Corporate Risk Management Group.
- 2.2 The Audit and Governance Committee is asked to approve the minor changes made to the Risk Management Policy (**Appendix A**) as a result of the annual review, for onward ratification by Cabinet.

3.0 Reasons for Recommendations

- 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 Being able to demonstrate effective systems for managing risks is a critical step in producing supportable statements of internal control for annual reporting purposes. The benefit of a strong risk management framework from a governance viewpoint is that it gives a greater level of confidence that management have properly and adequately fulfilled their responsibility in operating an effective system of internal control. 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. In order to form an opinion on the effective operation of the Council's risk management arrangements, the Audit and Governance Committee needs to establish how key risks are identified, what the key risks are and how they are evaluated, managed and reviewed, the work of the Corporate Risk Management Group helps to provide assurance of this.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 N/A

6.0 Policy Implications

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

7.0 Financial Implications (Authorised by the Chief Operating Officer)

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

8.0 Legal Implications (Authorised by the Head of Legal Services)

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

9.0 Risk Management

- 9.1 This report relates to overall risk management; the Audit and Governance Committee should know about the most significant risks facing the Council and be assured that the risk management framework (which includes the role and work of the Corporate Risk Management Group) is operating effectively.

9.2 The content of this report aims to mitigate the following risks:-

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

10.0 Background

10.1 Corporate Risk Management Group Membership

10.1.1 Membership of the Corporate Risk Management Group for 2013-14 was as follows:-

Full year:

- § Cllr David Brown, Portfolio Holder for Policy & Performance (in the Chair)
- § Julie Davies, Head of People & Organisational Development
- § Chris Allman, Programme Manager
- § Christine Mann, Finance Manager
- § Jackie Gray, Corporate Manager - Business Intelligence and Data (Shared-Services)
- § Christine Mann, Finance Manager
- § Jon Robinson, Audit Manager
- § Joanne Butler, Performance and Risk Manager
- § Susan Shaw, Performance Advisor / Minutes

Part Year (left):

- § Vivienne Quayle, Head of Policy & Performance
- § Peter Hartwell, Head of Safer & Stronger Communities
- § Juliet Blackburn, Performance & Partnerships Manager
- § Sue Crompton, Performance Standards and Information Manager
- § Diane Taylor, Partnerships & Planning Manager (Children & Families)
- § Catriona Thompson, Head of ICT Strategy
- § Julie Openshaw, Legal Team Leader (Places, Regulatory and Compliance)

Part Year (joined):

- § Gareth Pawlett, Head of ICT
- § Alex Thompson, Corporate Manager - Planning & Performance
- § Tony Crane, Director of Children's Services
- § Brenda Smith, Director, Adult Social Care & Independent Living
- § Rachel Ryle, Health Business Manager
- § Judith Tench, Head of Corporate Resources and Stewardship

10.1.2 Membership of the Group is reviewed annually as part of the self review of effectiveness and as and when required during the year if there are any leavers or role changes. As a result of the self-assessment, for 2013-14, membership of the Group was revised to include a balanced mix of Commissioner and Provider roles so that the Corporate Risk Management Group has sufficient understanding of the Council.

10.2 Corporate Risk Management Group Meetings

10.2.1 Attendance at the Corporate Risk Management Group meetings averaged 70.5% over the 4 meetings held. Meetings of the Corporate Risk Management Group to consider risk management took place on:

- 23 May 2013;
- 16 August 2013;
- 12 December 2013; and
- 6 March 2014.

10.3 Corporate Risk Management Group Terms of Reference

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

10.4 Risk Management Policy

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

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

10.4.2 The Corporate Risk Management Group reviewed and updated the Council's Risk Management Policy at its meeting on 23 May 2013. The updated Risk Management Policy was approved by Cabinet at its meeting on 22 July 2013. It was agreed that the Risk Management Policy be reviewed on an annual basis and so was reviewed by the Group at the meeting held on 6 June 2014. The outcome of the review was that although the Policy remained fit for purpose a

number of amendments could be made to strengthen the Policy (**Appendix A**). The main changes are:-

- The Policy now has a Foreword from Cllr David Brown, as Portfolio Holder for risk management, outlining the attitude of the Council to risk management. Cllr. Brown sets out the Council's commitment to best practice in risk management and states that the Policy has the full support of Members and Senior Managers.
- A Contents page has been added for ease of reference.
- The previous policy contained 7 key principles and 6 key objectives, the sentiments of these remain within the document but these are now concentrated into 2 main overarching risk management and internal control objectives.
- A section on how risk capacity is determined has been included within the risk appetite section at para. 5.3.
- A new section specifically about risk tolerance and thresholds in relation to value has been inserted at 6.0, this section is to encourage costing of risks and contingency for major areas of activity.
- A section on reporting has been included at 8.0.
- The detailed summary of roles and responsibilities has been removed from the main document but added as Appendix A.
- A risk improvement plan has been added at Appendix B detailing intended behaviour change and mechanisms for the next 2 years.
- A comparison of the policy content to best practice guides has been included for reference as Appendix C.

10.5 Key Corporate Risks – Threats and Opportunities

10.5.1 At each meeting during the year, the Audit and Governance Committee received a risk management update from the Corporate Risk Management Group, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of risks.

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

10.5.3 The Audit and Governance Committee also received short risk briefings during the year from the Risk Owners/Risk Managers for the following risks:

- Risk 11 – Commissioning & Service Delivery Chain Risk;
- Welfare Reform Risk;
- Risk 9 – Workforce Risk; and
- Risk 20 – Contract & Relationship Management Risk

- 10.5.4 The most up-to-date risk stewardship template for corporate risk 15 – Protection of Children and Young People will be shared. The Risk Owner/Risk Manager will attend for this item the Audit and Governance Committee at its meeting on 26th June.

10.6 Specialist Risk Areas – Insurance

- 10.6.1 During the year the Corporate Risk Management Group received an overview of the recently introduced 'Ministry of Justice Reforms', the implications for Services and the cost savings opportunities arising from these reforms. These changes affect the way that Employers Liability and Public Liability claims involving personal injury are handled across the insurance industry and affect personal injury claims with an incident date of 31st July 2013 onwards, or disease claims notified from this date. These may be claims from members of the public and/or from employees but in both cases, the claims have to be made through a solicitor, submitted via a national electronic Claims Portal and be subject to a fixed legal cost fee structure.
- 10.6.2 The Corporate Insurance Team developed a suite of reports to provide managers with information relating to claims involving their services. The aim of the distribution of the reports, whilst providing a useful communication tool between the insurance team and the services themselves, was also to provide a focus for service managers to allow them to assimilate the information provided and address any improvements that may be evident in their processes and procedures. The improvements in risk assessment and awareness should contribute to a reduction in the volume of successful claims made against the authority, thereby improving the financial position of the Council.

10.7 Specialist Risk Areas – Business Continuity

- 10.7.1 All major services have now identified their critical activities with high risk services (Adult and Children etc) developing Business Continuity plans. The next phase of the work, which is being co-ordinated by the Joint Cheshire Emergency Planning Team, will concentrate on developing Business Continuity plans for other key services, exploring the potential for embedding of Business Continuity Management planning into the business planning cycle for 2014-15, as well as the development of a Corporate Cheshire East Business Continuity plan. The purpose of this plan will be to identify measures that would be taken in the event of a major cross service business interruption e.g. loss of a corporate building. A Senior Crisis Management Team will be established to determine priorities should the authority be unable to deliver all of its critical functions at once.
- 10.7.2 Joint working is also taking place with Cheshire West and Chester Council to ensure CoSocius have appropriate Business Continuity plans in place to deliver the services provided.

10.8 Risk Management Framework Improvements

10.8.1 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 project and programme management methodology. This has included ensuring that objectives are clearly articulated and are continually referred back to, as these are the foundation in determining which risks are relevant, and the level of impact associated with each threat or opportunity.

10.8.2 A number of workshops have been held with Project Management Teams to identify and articulate project risks. Risk registers are included as part of the standard templates for project managers and advice and guidance on risk management has been given through the technical enablers group (TEG) and in the project management handbook.

10.8.3 Risk register templates are also included as part of the standard planning documentation for Commissioning Business Plans, as part of the 3 year planning for commissioning areas. .

10.8.4 The Council's risk procedures are being updated to ensure there are adequate arrangements on risk management in relation to new and alternative delivery models. The Council needs to meet two key responsibilities for each new delivery model vehicle:

- provide assurance that the risks associated with working as a new vehicle have been identified and prioritised and are being appropriately managed; and
- ensure that the new vehicle has effective risk management procedures in place.

10.8.5 Each new vehicle must ensure that risk management is embedded in the business and that the risk management methodology conforms to good practice. The specific challenge is being clear about where the new vehicle's objectives overlap, and can be aligned, to address a common goal with common risks, as opposed to where they are fully independent. Consideration will need to be given to matters such as:

- Reporting on shared key risks to management;
- Defining arrangements for joint risk registers or escalating risks from the new vehicle to the Council's risk register; and
- Facilitating prioritisation of action plans.

10.0 Corporate Risk Management Group Summary

11.1 As the Council continues to transform into a Strategic Commissioning authority and sets about achieving even greater value for money, by doing things differently and using innovative new approaches to the way in which services are delivered, to achieve the outcomes desired by local people. Learning from risk management judgements gives us a key competitive advantage, enabling our

leaders and managers to act proactively on their accountabilities and facilitate strategic thinking so that we are able to increase our risk appetite, exploit opportunities which enable innovation and better value for public money.

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

11.0 Access to Information

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

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Designation: Performance and Risk Manager
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Cheshire East Council

Risk Management Policy 2014-2015



CHESHIRE EAST COUNCIL - RISK MANAGEMENT POLICY

Foreword by Cllr David Brown, Deputy Leader and Strategic Communities Portfolio Holder



1.0 Foreword and Attitude to Risk Management:

- 1.1 This risk management policy forms part of Cheshire East Council's internal control and corporate governance arrangements. This policy, and the adoption of the overall risk process, including allocating appropriate resources to risk management, is owned by the Chief Operating Officer with delegated authority from Cabinet. The purpose of this policy is to clearly outline the council's commitment to risk management, describe the objectives of risk management and provide a framework for embedding risk management across the organisation, with defined roles and responsibilities and a structured process.
- 1.2 Guided by our underlying principle of being 'resident first', our ambition is to become a strategic commissioning Council. Given the context of developments in the public sector and during this continuing time of austerity, we are working to achieve even better outcomes for the local people of Cheshire East within the limits of our available funding. Becoming a commissioning Council means taking a 'best fit' approach to developing service delivery options e.g. Alternative Service Delivery Vehicles (ASDV), and 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. Effective risk management is not about eliminating or avoiding risk, indeed with active risk management we may decide to take more risks on an informed basis to innovate as effectively, and cost efficiently, as possible as we continue to transform and achieve our ambition. Through the implementation and embedding of an effective risk management framework, and ensuring a higher risk appetite for Cheshire East Council, we will ensure that it is better placed to manage its performance, achieve its corporate objectives and provide an enhanced level of service and outcomes to the community.
- 1.3 Cheshire East Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the council's objectives and deliver core services. The Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks. It is acknowledged that some risks will always exist and will never be eliminated but through risk identification we anticipate eventualities and it helps us to respond to changes in need, ensuring that we are fit for purpose to serve Cheshire East residents and businesses.
- 1.3 The council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of Members and active participation of managers. All officers must understand the nature of the risk and accept responsibility for risks associated with their area of work, including an understanding of how reputation value for the Council is added or lost. In doing this they will receive the necessary support, assistance and commitment from senior management and Members.
- 1.5 It is essential that a single risk management approach be utilised at all levels throughout the authority. The council has closely integrated risk management into its planning and objective-setting process, enabling it to manage its risks in a more consistent, uniform way. By effectively managing our threats and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives and work better as a partner with other organisations.

CHESHIRE EAST COUNCIL- RISK MANAGEMENT POLICY**Contents**

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2.0 Introduction and Purpose

- 2.1 This Policy explains the Council's underlying approach to risk management, documents the roles and responsibilities of Cabinet, the Corporate Leadership Board and other key parties; outlines key aspects of the risk management process; and identifies the main reporting procedures. It is clear that change in the public sector is inevitable. Strategic Commissioning is about achieving even greater value for money, by doing things differently and using innovative new approaches to the way in which services are delivered, to achieve the outcomes desired by local people. It is not simply about reducing costs through arranging cheaper provision or about traditional outsourcing, as the new approach will be used to get the best from in-house services, from joint ventures between the Council and other providers, and from new delivery vehicles such as Social Enterprises or Staff Mutuals. Learning from risk management judgements gives us a key competitive advantage, enabling our leaders and managers to act proactively on their accountabilities and facilitate strategic thinking so that we are able to exploit opportunities which enable innovation and better value for public money.
- 2.2 A risk is concerned with a threat or a possible future event which will adversely or beneficially affect Cheshire East Council's ability to achieve its objectives. It is typically assessed using two dimensions, one of which is the impact of the threat or opportunity, representing the consequences to the Council's intended outcomes. The second dimension is the frequency or likelihood of the risk occurring, representing the probability of the threat or opportunity happening.
- 2.3 Risk management is the process that informs strategic development through the identification and treatment of risk such that, objectives are more likely to be achieved, damaging actions or events are avoided or minimised and opportunities maximised. Good risk management increases the probability of success, and reduces both the probability of failure and uncertainty of achieving Cheshire East Council's overall objectives.



3.0 Risk Management and Internal Control Objectives

- 3.1 There are two principle objectives detailed below which outline the council's approach to risk management and internal control:

Objective 1

Risk Governance and Culture: Embed risk management into the ethos, culture, policies and practices of the council so that risk management is an integral part of the council's decision making, management and governance practices

- 3.2 The **Risk Governance and Culture** objective will be achieved through ensuring that:-
- There are clearly defined roles, responsibilities and reporting lines within the council for risk management and that Cabinet and Council have responsibility for overseeing risk management within the council as a whole – see **Appendix A**.
 - An open and receptive approach to understanding the challenges of risk management is adopted by Cabinet and Council
 - Audit and Governance Committee provide independent assurance to Council on the effectiveness of the risk management framework and associated control environment.
 - There is appropriate leadership and monitoring of corporate risks and key corporate project risks
 - Risk management is an integral part of corporate policy decisions and is included in the council's processes, policies and documents, including commissioning, service and project planning, writing reports and considering decisions
 - For those with responsibility for achieving objectives, responsibility also lies in identifying and assessing threat and opportunity risks; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress.
 - Opportunities for shared learning on risk management across the council and with other authorities, partners and stakeholders are taken where appropriate.
 - Risk management is a key and effective contributor to Corporate Governance and the Annual Governance Statement with Corporate Managers responsible for encouraging good risk management practice and completing statements as to the effectiveness, or otherwise, of their systems for identifying, monitoring and managing corporate and operational risks
 - Advice, guidance, suitable information and training on risk management is available to employees and Members – see **Appendix B** Risk improvement plan.
 - Identifying and seizing opportunities which risk management provides for the organisation.

3.3 Objective 2

Risk Management Arrangements: Ensure the council successfully manages risks and opportunities at all levels – strategic, operational, programme, project and partnership so that it increases the probability of achieving its objectives and outcomes.

- 3.4 The **Risk Management Arrangements** objective will be achieved through ensuring that:-
- Risk management process guidance for employees and Members on how to identify, assess and prioritise risks, determine a response, manage and control, and report and review is available. *The process to be adopted is described in the document "Risk Management Process Guide".*
 - Risk management is integrated with the council's strategic planning process, commissioning and commissioning business unit plans so we are able to monitor risks to achieving the objectives, determine which risks have the most significant impact, and prioritise resource accordingly.
 - The risk management process will be incorporated into the way the council works within partnerships through Partnership Protocols to ensure a joint successful approach to the management of risks
 - Risk management is not a one-off exercise but that it is a continuous process because the decision making processes it underpins are continuous

- A hierarchy of risk registers are maintained, which are regularly reviewed and monitored, to demonstrate the management of risks linked to the council's commissioning, corporate and operational objectives and to working in partnership.
- The most significant identified risks and relevant control measures are monitored, reported and reviewed by the Corporate Risk Management Group.
- Key risk scores and indicators of levels of risk are identified and closely monitored on a regular basis
- Contingency plans are prepared and tested to secure business continuity where there is a potential for an event to have a major impact upon the council's ability to function.
- Specialist Functions advise the Corporate Leadership Board and its Operational Management Teams on policies, procedures and implications of strategic and operational risk decisions so that the council can demonstrate control of risk and can protect and manage risks to employees and public, Council reputation and financial values.
- Ensuring that internal audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks will be unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking.

4.0 Internal Control

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

a. Policies and procedures

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

b. Quarterly reporting

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

c. Business Continuity

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

d. Anti-Fraud and Corruption

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

e. Whistleblowing

Cheshire East Council is committed to the highest possible standards of openness, probity and accountability. Employees, Members, contractors, suppliers to or consultants with, the authority are often the first to realise that something wrong may be happening within. The Whistleblowing Policy is intended to



help those who have concerns over any potential wrong-doing within the council.

f. *Audit, Inspectorate and Accreditation reports.*

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

5.0 Risk Appetite and Capacity

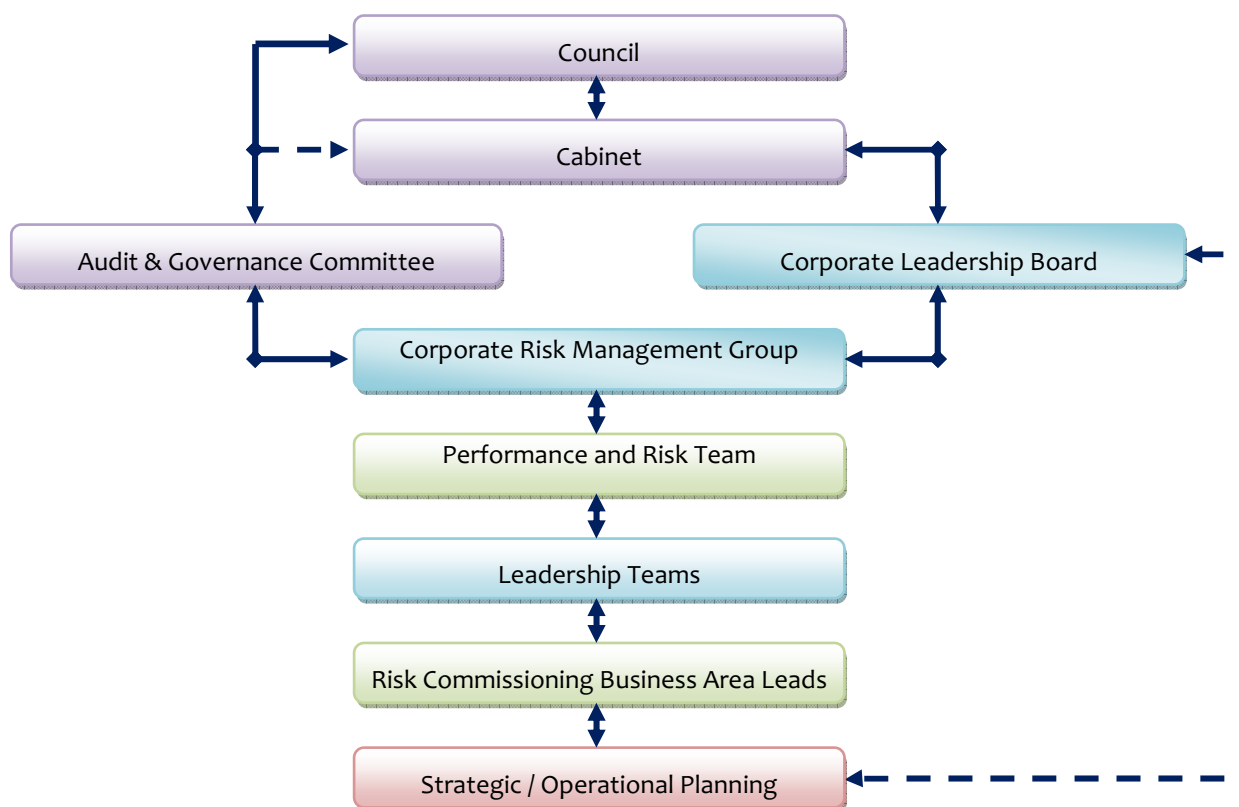
- 5.1 Understanding and setting a clear risk appetite level is essential to achieving an effective risk management framework and should be done before managers consider how to treat risks. Establishing and articulating the risk appetite level helps to ensure that consideration in the way management, Cabinet and Council respond to risk is consistent and that there is a shared vision for managing risk. There are risks for which the Council is custodian on behalf of the public and the environment, where risk appetite may be very low, and there may be risks with choices about investment in projects, research and delivery roles, where risk taking may be encouraged.
- 5.2 Cheshire East Council recognises that in pursuit of its objectives and outcomes it may choose to accept an increased degree of risk. The council will establish and articulate risk appetite for the differing areas of its business. Where the council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.
- 5.3 The Council's risk capacity is determined through understanding the following areas:-
- Reputation – can the council withstand pressures as they arise as a result of the activity
 - Financial – is there sufficient financial contingency for the activity
 - Political – what political tolerance is there for any adverse risk events materialising
 - Infrastructure – is there sufficient infrastructure to manage risk
 - People – is there sufficient trained and skilled individuals
 - Knowledge - is sufficient knowledge available to the council

6.0 Risk Tolerance and Thresholds

- 6.1 Tolerance levels will be established for organisational activities at different levels across the Council and a risk contingency will be determined and defined for different business areas. Access to contingency has to be approved by the budget holder or the Chief Operating Officer. Where analysis indicates that the returns or outcomes will deviate by more than acceptable limits these will have to be referred as soon as the deviation is forecast. This includes forecasts that may enhance objectives as well as those that may erode objectives.

7.0 Roles and Responsibilities

- 7.1 Responsibility for risk management should run throughout the authority. Clear identification of roles and responsibilities ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the organisation. The council's reporting lines framework is shown on the diagram below:



7.2 Everyone has a role to play in the risk management process.

- ~ Council - Agree the remit of and appointments to the Audit and Governance Committee, receives reports and assurance on risk management activity and management of corporate and significant risks.
- ~ Cabinet - Approve funding for risk management, approve the risk management policy, act as the risk champions driving risk from the top down, ensure that risks are fully considered when making decisions, and regularly review the most serious risks threatening the corporate plan and outcomes.
- ~ Audit and Governance Committee - Provide independent assurance to Council on the effectiveness of the risk management framework and associated control environment, and independent scrutiny of the council's financial performance. Hold Members and officers to account to consider mitigating action for risks and how appropriate / effective it is. Receive regular reports on the management of the top council risks. Consider and endorse the risk management policy for approval by Cabinet.
- ~ Corporate Leadership Board - Responsible for identifying new corporate risks, understanding and promoting the risk management process and benefits, oversee the implementation of the risk management policy and agree any inputs and resources required supporting the work corporately. Manage strategic and cross-cutting risks. Report to elected members on the management of risks. Monitor and consider the mitigating actions for significant new and emerging corporate and operational risks as escalated and reported by the Corporate Risk Management Group.
- ~ Corporate Risk Management Group - Provide guidance on the current maturity of the council's risk management practices, make recommendations for improvement, assist in embedding risk management throughout the council, develop appropriate techniques, recommend the adoption of tools, and provide trend analysis on the council's risk exposure where possible. ensure a risk register is compiled and maintained for each major activity; escalate risks as required by this policy,

- 7.3 A more detailed summary of the roles and responsibilities of groups and individuals in relation to risk management is given in **Appendix A**.

8.0 Reporting

- 8.1 The following describes the reports that will be produced and their frequency:

- Corporate risk reports will be submitted to Cabinet and the Corporate Leadership Board on a quarterly basis.
- Monthly highlight reports (identifying key risks and risk management actions) will be prepared for each programme and project.
- Individual risk assessment sections will be prepared on decision reports to Cabinet prior to each decision.
- Commissioning areas will submit monthly key performance indicator reports which include key risk indicators (early warning indicators) which will be incorporated into the performance management framework.
- Two interim risk management update reports will be provided to Audit and Governance Committee during the year.
- An annual risk management report will be prepared to be included as part of the Council's annual review of governance and reported to Council via Audit and Governance Committee's Annual Report.

9.0 Quality Assurance and Document History

- 9.1 This Policy will be subject to document control, version control, be updated at least annually, and be revised to reflect changes in legislation, risk management best practice and significant changes in corporate governance. The contents of the risk management policy comply with Enterprise Risk Management (ERM) and requirements of ISO 31000 see **Appendix D**.

- 9.2

Version	Date	Approved by	Minute Ref
V1	17 May 2011 7 June 2011 30 June 2011 5 Sept 2011	Corporate Risk Management Group Corporate Management Team Audit & Governance Committee Cabinet	minute para 39.2 minute Item 5 minute para 10 minute 53
V2	11 May 2012 12 June 2012 28 June 2012 20 Aug 2012	Corporate Risk Management Group Corporate Management Team Audit & Governance Committee Cabinet	minute para 7.1 minute item minute para 60 (2) minute 49
V3	23 May 2013 4 June 2013 27 June 2013 22 July 2013	Corporate Risk Management Group Corporate Management Team Audit & Governance Committee Cabinet	minute para 65.1 minute item minute para 8 minute 41
V4	6 June 2014 4 June 2014 26 June 2014	Corporate Risk Management Group Corporate Leadership Board Audit & Governance Committee Cabinet	

Risk Management Policy - Appendix A**Cheshire East Council Risk Management Roles and Responsibilities**

Individual or Group	Summary of Role & Responsibilities
Council	Monitors, receives reports and assurance on risk management activity and management of corporate and significant risks. Approves public statements on internal control and provides assurance on risk management to the public.
Cabinet	Oversees the effective management of risk throughout the council, ensuring officers develop and implement an all encompassing approach to risk management. Approves risk appetite / tolerance levels on behalf of Council. Approves the risk management and business continuity policies. Responsible for identifying new corporate risks. Monitor the content of the key corporate and significant risk registers and comment on mitigation as appropriate. Ensure that risks are fully considered when making decisions.
Audit and Governance Committee	Provide independent assurance on the effectiveness of the risk management framework and associated control environment, and independent scrutiny of the council's financial performance. Hold Members and officers to account to consider mitigating action for risks and how appropriate / effective it is. Receive regular reports on the management of the top council risks. Consider and endorse the risk management policy for approval by Cabinet.
Scrutiny Committee	Reviews the portfolios, Cabinet and organisational performance as a whole. Ensure that officers and Members discharge their responsibilities effectively and efficiently including the identification and management of risks.
Portfolio Holder - Lead	Take a strategic lead for risk management in the council, from a Member's perspective, promoting and supporting the development and implementation of the risk management policy and ensuring that Members take risk management into account when making decisions.
Corporate Leadership Board (CLB)	Responsible for identifying new corporate risks. Gain an understanding and promote the risk management process and benefits, oversee the implementation of the risk management policy and agree any inputs and resources required supporting the work corporately. Manage strategic and cross-cutting risks. Report to elected members on the management of risks. Monitor and consider the mitigating actions for significant new and emerging corporate and operational risks as escalated and reported by the Corporate Risk Management Group.
Strategic Commissioning Leadership Team and Chief Operating Officer Leadership Team	Ensure that risks are managed effectively in each commissioning business area in accordance with the risk management policy and procedure. Nominate and support a risk management representative to represent the Leadership Teams on the CRMG and identify risk commissioning business area leads. Identify, analyse and prioritise risks as part of the business planning process. Determine risk management action plans and delegate responsibility and control. Act as filter groups, identify and approve the top council risks, escalating emerging risks where these could have a significant and strategic impact. Consider risk as regular agenda items at Leadership Team

Individual or Group	Summary of Role & Responsibilities
	meetings reviewing the risk registers and monitoring progress.
Corporate Risk Management Group (CRMG)	Assist the Council with the management of risks to achieving its strategic priorities and service delivery by reviewing all matters concerning the development, maintenance and implementation of the council's risk management framework, including monitoring and reporting arrangements. Identify and communicate risk management issues to Corporate Leadership Board (CLB), Strategic Commissioning Leadership Team, Chief Operating Officer Leadership Team and commissioning areas.
Internal Audit	Challenge and test the risk management process, including the identification and evaluation of risk and provide independent assurance to officers and Members on the effectiveness of the risk management framework and internal controls. The audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks are unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking. The programme of work is planned annually but constantly reviewed to ensure it remains up to date and appropriate and encompasses a wide range of financial and non-financial risks. The audits are creative, thoughtful and useful pieces of work. They provide robust assurance and offer pragmatic ideas for development.
External Audit	External audit provides feedback to the Audit and Governance Committee on the operation of the internal financial controls reviewed as part of the annual audit.
Section 151 Officer	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.
Performance and Risk Team	The business planning and performance management process is used to set objectives, agree action plans, and allocate resources. Progress and performance towards meeting business plan objectives is monitored regularly, including the control and operational actions to mitigate risk. Receive all the approved top risks from local registers, senior management meetings and governance committees. Act as filters to eliminate duplicates and help with consistency. Collates and coordinates a comprehensive report for presentation to CRMG. Reports back to local level, Leadership Teams, CLB, Cabinet, Council, Audit & Governance Committee, Scrutiny Committee and Corporate Governance Group. Facilitate regular meetings of Risk Commissioning Business Area Leads. Share good practice and provide professional support, guidance and training across the council on risk management. Maintain the council's corporate and significant risk registers and the risk management system.
Heads of Service and Managers	The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Identify, analyse and prioritise risks as part of the business planning process. Progress and performance towards meeting business plan objectives is monitored regularly. Ensure that risk is managed effectively in their service area in accordance with the risk management policy and procedure. Produce, test and maintain Service Continuity Plans. Promote risk management and establish training requirements within service areas. Manage significant risks on a daily basis and report on mitigation.
Risk –Commissioning Area	Support the Commissioning Area Teams in maintaining local risk

Individual or Group	Summary of Role & Responsibilities
Leads	registers. Remind risk owners when risk update reports are required. Provide details of the top risks to the Performance and Risk Team. Liaise with Leadership Teams risk representatives to ensure operational and strategic risks are properly managed. Coordinate with the Performance and Risk Team and other Risk Commissioning Area Leads to ensure that risks affecting all services are managed cohesively. Align risk registers with relevant partners.
Programme and Project Managers	Ensure that we are capable of delivering major and complex programmes and projects across many of our commissioning areas and are key to achieving the council's objectives. Identify, analyse and prioritise project risks as part of the project management process. Ensure that project risks are managed effectively, throughout the life of the project, in accordance with the risk management policy and procedure. Report on mitigation and effectiveness and escalate project risks that could impact on the achievement of other commissioning business unit objectives and corporate objectives.
Other specialist risk support services: <ul style="list-style-type: none"> • Insurance • Health & Safety • Climate Change • Legal • Emergency Planning • Human Resources • Environmental • Communications & Media Relations 	Advise Corporate Leadership Board and Strategic Commissioning and Chief Operating Officer Leadership Teams on policies, procedures and implications of strategic and operational risk decisions. Ensure that risk management is embedded into commissioning business planning, operational and performance processes; this includes business continuity and emergency planning. Seek to develop a shared and consistent corporate approach to risk management so that the council can demonstrate a clear systematic assessment and control of risk. Protect and manage risks to employees and public, Council reputation and financial values. Provide support in the coordination and implementation of the testing of business continuity plans. Liaise with the Cheshire Local Resilience Forum, to ensure that the Council is aware of and fully incorporated into the regional emergency and continuity planning processes. Lead in the promotion of business continuity planning to local businesses and voluntary organisations
Officers	Manage risk effectively in their roles, liaising with other managers to assess areas of risk and identify new or changing risks.
Partnerships (including Alternative Service Delivery Vehicles ASDV)	Ensure there are adequate arrangements on risk management in relation to partnerships including ASDV. The Council needs to meet two key responsibilities for each partnership:- <ul style="list-style-type: none"> • provide assurance that the risks associated with working in partnership have been identified and prioritised and are being appropriately managed • ensure that partners have effective risk management procedures in place Consideration will need to be given to matters such as:- <ul style="list-style-type: none"> ~ Reporting on shared key risks to management ~ Defining arrangements for joint risk registers or escalating risks from the partnership risk register to the Council's risk register ~ Facilitating prioritisation of action plans

Risk Management Policy - Appendix B**Cheshire East Council Risk Improvement Plan - Outline****1.0 Introduction**

- 1.2 This risk improvement plan details the main focus of work for the Corporate Risk Management Group. The plan will develop over the course of the year and in order to reflect priorities.

2.0 Risk Maturity

- 2.1 Cabinet 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 over the previous year the Council has moved further towards 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.

3.0 Review Focus

- 3.1 The groups that have been identified for the first improvement initiative are the Commissioning Managers and the Programme and Project Managers. The rationale being that these groups have the greatest ability to integrate risk management into commissioning plans and project and programme activities. Risk management has been mandated by Cabinet in the past but, without an understanding of how and where it should be applied, such initiatives are reduced to just aspirations or one off exercises rather than being integrated as clear systematic effective working practices.
- 3.2 These groups have the ability to be very influential within the council.

4.0 Existing behaviours

- 4.1 Although risk management is integrated into plan templates and project processes, risks are not always updated, escalated and reported on a regular basis unless they become an issue. As a result risk management can be perceived as a discretionary 'bolt on' or one off exercise rather than a key discipline.
- 4.2 Whilst risk appetite may be understood by individual Commissioning Managers and Programme and Project Managers it is not properly articulated or communicated so that response to risk is consistent and that there is a shared vision for managing risk.

4.3 Presently risks are not systematically costed and risk indicators (early warning indicators) are not regularly monitored or reported on.

5.0 Target behaviour

5.1 The aim is for risk management activities to be integrated into day to day activities, but particularly within Commissioning Leadership Team meetings and within key activities of programmes and projects with the aim of achieving greater certainty in all of these activities in achieving their objectives.

5.2 The following mechanisms are to be used to change behaviour:-

- Individual risk strategies will be prepared for commissioning areas and for major programmes and projects – including escalation and reporting processes
- Service commissioning plans will have risk registers in place which will be quality assured by the Performance and Risk Team
- Advice, guidance, suitable information and training on risk management is available to employees and Members through the Performance and Risk Team
- Risk Management will be a regular agenda item on Leadership Team meetings (at least monthly) and top risks will be escalated through the Corporate Risk Management Group
- Risk indicators will be included as part of the performance management framework
- Feasibility studies and options appraisals are to include risk assessments
- Budgets and schedules are to be subject to risk assessments to determine confidence levels in programme and project objectives.
- The expected value calculation is to be used to provide an assessment of the combined net effect of the risks and opportunities. This is calculated by multiplying the average of the impact by the probability.

6.0 Measurement

6.1 Measurement will be undertaken by various assurance processes (i.e. performance and risk team, internal audits, external audits, performance management framework, annual governance statement) to understand where and how risk management has been applied and how effective it has been.

6.2 Evidence will have to be produced to illustrate how risk management has been applied.

7.0 Target date

7.1 This change of behaviour is to be accomplished within two years. A programme is to be prepared with the Corporate Risk Management Group with key delivery milestones made explicit.

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

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

2.0 Background and Requirements

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

3.0 Objective of the Strategy

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



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

4.0 Implementation and Responsibilities

- 4.1 Business continuity requires senior management commitment and support, and dedicated resource allocated within the Authority to ensure that plans are developed, maintained, reviewed, and, most importantly, tested, so that they are fit for purpose. It also needs to be built into project and change management processes to ensure the implications of any projects and changes are fully considered prior to implementation and that resilience is built into project deliverables.
- 4.2 Business continuity is an essential element of risk management, and as such is managed as part of the Cheshire East Risk Management Policy; responsibility for its delivery will be incorporated into the roles outlined in the Risk Management Policy.

5.0 Developing Plans

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

Risk Management Policy - Appendix D**Cheshire East Council Risk Management Policy Requirements****1.0 Best Practice**

1.1 Cheshire East Council is committed to using national and best practice guidelines to identify further opportunities for improvement in its approach to risk management. The Association of Insurance and Risk Managers (AIRMIC), The Public Risk Management Association (Alarm) and The Institute of Risk Management (IRM) provide a guide to a structured approach to Enterprise Risk Management (ERM) that is compatible with both the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the requirements of International Organisation for Standardisation (ISO) standard 31000 which was published in 2009 as an internationally agreed standard for the implementation of risk management principles.

1.2 The table below demonstrates a positive direction of travel in ensuring that the Council's risk management policy content compares favourably to best practice as follows:-

Best Practice Guide Risk Management Policy Content	Included in Cheshire East Council Risk Management Policy Content?
Risk Management and internal control objectives (governance)	Yes – Section 3.0
Statement of the attitude of the organisation to risk (risk strategy)	Yes – Section 1.0
Description of the risk aware culture or control environment	Yes – Section 4.0 and Appendix B
Level and nature of risk that is acceptable (risk appetite)	Yes – Sections 5.0 and 6.0
Risk management organisation and arrangements (risk architecture)	Yes – Section 3.3 and 7.0
Details of procedures for risk recognition and ranking (risk assessment)	Yes – section 3.3 and detailed in separate risk management process guide
List of documentation for analysing and reporting risk (risk protocols)	No – not included in policy but documents are on Centranet site
Risk mitigation requirements and control mechanisms (risk response)	Yes - section 3.3 and separate risk management process guide
Allocation of risk management roles and responsibilities	Yes – Section 7.0 and Appendix A
Risk management training topics and priorities	Yes – Appendix B to be further developed
Criteria for monitoring and benchmarking of risks	Yes – Sections 3.4, 8.0 and Appendix B
Allocation of appropriate resources to risk management	Yes – Section 1.0
Risk activities and risk priorities for the coming year	Yes – Appendix B

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 26 June 2014
Report of: Corporate Governance Group
Title: **Draft** Annual Governance Statement (AGS) 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 **Report Summary**

- 1.1 Each year, Cheshire East Council produces an Annual Governance Statement that explains how it makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2 In February 2013 the Council set out its three year plan to becoming a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity. This approach has provided a platform to redefine and reinvent the Council in a systematic way. The focus has been to deliver sustainable quality cost effective services that are needed by Cheshire East residents and businesses.
- 1.3 During 2013/14 the Council accelerated its programme of significant change and innovation – including developing new approaches to service delivery to get the best from in-house providers. The Council's review of its management structure, roles and responsibilities, completed in early 2014 is also a significant step forward. The Council can reflect on many financial and operational successes throughout 2013/14 and it is now in a much stronger position than when it started the year.
- 1.4 Through the reviews done to produce this Annual Governance Statement we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need. While there may be isolated exceptions, we can be increasingly confident that our culture, values, and ways of working reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.
- 1.5 The Chief Operating Officer, as the Council's Section 151 Officer, endorses the Internal Auditor's opinion on the Council's control environment that:

The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.

- 1.6 The Chief Operating Officer also recognises that further work is needed to ensure that the Councils framework of risk management, control and governance is fully, and consistently, embedded across the organisation. He will continue to work with the Council's Corporate Leadership Board (CLB) and Corporate Governance Group to ensure that this framework is regularly reviewed and refreshed so that it is fit for purpose for an ambitious commissioning council that puts residents and businesses first.
- 1.7 The draft Annual Governance Statement sets out:
- how the Council complies with its own governance arrangements;
 - how the Council monitors the effectiveness of the governance arrangements; and
 - any improvements or changes in governance arrangements are proposed during the forthcoming year.

The final version of the AGS will be brought to the Committee in September 2014.

2.0 Recommendation

- 2.1 The Committee is asked to:
- 2.2 consider and comment upon the draft Annual Governance Statement at Appendix A; and
- 2.3 note that the final statement will be considered by this Committee on 18 September prior to its approval and publication on the Council's website.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations 2011, the Annual Governance Statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the statement of accounts is approved, by 30 September 2014.
- 3.2 In the interests of best practice and early engagement, this draft of the Annual Governance Statement is brought to the Committee for information and comment from Members.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

6.1 None.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 No specific financial implications. The production of the AGS aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by end of September 2014).

8.0 Legal Implications (Authorised by the Head of Legal Services)

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

9.0 Risk Assessment

9.1 The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2011. Failure to do so could result in non-compliance with the requirements of the Regulations.

10.0 Background

10.1 The Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations.

10.2 There is a strong correlation between effective governance and effective service delivery. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix A are the results of that review.

10.3 The Corporate Governance Group is responsible for drafting the AGS; supporting evidence is collected and collated by internal audit. The draft has also been considered by the Corporate Leadership Board.

10.6 The review of governance arrangements in place for 2013/14 has been informed by the work of Internal Audit and senior managers and also comments made by the External Auditors and other review agencies/inspectorates. The sources of assurance include:

- Assurance statements completed by Heads of Service, reflecting upon the application of governance processes and adequacy of controls within their areas of responsibility;
- A self assessment against the Council's Code of Corporate Governance, undertaken by the Corporate Governance Group members, in order to demonstrate compliance with the Code;
- Heads of Service have reviewed the significance of joint working arrangements in their areas of responsibility, and reported on the governance arrangements of those identified as highly significant;
- Outcomes from external inspectorates and review agencies, including External Audit and Ofsted;
- Internal Audit, through the annual and interim reports;
- Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process; and
- The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities.

10.7 In order that Members may discharge their duties, the Committee received reports, information and training throughout the period under review including:

- Internal Audit Annual Report for 2013/14
- Interim update reports from Internal Audit
- Update reports and Annual Report on Risk Management
- Member Officer group on Corporate Governance and the AGS

10.8 Once finalised, the AGS will be published on the Council's website, along with the Statement of Accounts – by the 30 September deadline – so that the public, members, officers, partners and other stakeholders can view.

11.0 Access to information

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

Name: Peter Bates
Designation: Chief Operating Officer
Tel No: 01270 686013
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Cheshire East Council

DRAFT
Annual Governance Statement
2013/14



Cheshire East Council – DRAFT Annual Governance Statement 2013/14

1. Introduction

- 1.1. Each year, Cheshire East Council produces an Annual Governance Statement that explains how it makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. The Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within a framework as set out in its Constitution, which clearly outlines how the Council operates, how decisions are made and what procedures need to be followed to ensure the Council is efficient, transparent and accountable to its residents and stakeholders.
- 1.3. The Annual Governance Statement reports on:
 - How the Council complies with its own governance arrangements
 - How the Council monitors the effectiveness of the governance arrangements
 - What improvements or changes in governance arrangements are proposed during the forthcoming year.

2. Background

- 2.1. In February 2013 the Council set out its three year plan to becoming a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity. This approach has provided a platform to redefine and reinvent the Council in a systematic way. The focus has been to deliver sustainable quality cost effective services that are needed by Cheshire East residents and businesses.
- 2.2. This philosophy is about more than simply reducing costs through arranging cheaper provision or about traditional outsourcing. New approaches to service delivery are being developed to get the best from in-house services. These include joint ventures between the Council and other providers, and new delivery vehicles including

Council owned and controlled companies, social enterprises and Trusts.

- 2.3. During 2013/14 the Council has accelerated this programme of significant change and innovation. The Council's review of its management structure, roles and responsibilities, completed in early 2014 is a significant step forward. The Council can reflect on many financial and operational successes throughout 2013/14 and it is now in a much stronger position than when it started the year:
 - The senior leadership team is now in place with permanent appointments to all senior executive posts.
 - Strong financial performance has ensured that reserves are now in line with the Council's assessment of its financial risks and also to provide opportunities for future investment in its identified priorities.
 - Strong service performance in key areas including:
 - successful completion of a £35m capital programme;
 - success in attracting new businesses places it as only one of three hot spots outside London for new business creation;
 - now the best performing council in the North West, (and one of the best overall), in decreasing the number of young people classed as not in education, employment or training (NEET);
 - highest ever number of good and outstanding schools - 87.3%;
 - adoption timeliness and outcomes have improved;
 - Adult Social Care (ASC) project launched to redesign assessment and care management responsibilities;
 - developed a compelling business case for Crewe as a HS2 Hub station , providing high-speed connectivity to London but, more critically, the potential to drive major growth and regeneration benefits for Crewe and the wider region; and
 - rolling out superfast broadband across the sub-region through the £28.5 million 'Connecting Cheshire' project.
- 2.4. Like all local authorities, this Council continues to be affected by Central Government's austerity measures, as it wrestles with the size

Cheshire East Council – DRAFT Annual Governance Statement 2013/14

of the national debt. While the Council has discretion to increase local taxes it has not done so now for four consecutive years as it continues to strive to 'put residents first' and support the local economy.

- 2.5. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is also important to note that total spending per head of population is below average compared to nearest neighbours. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East.
- 2.6. Cheshire East's strong tax base and greater independence provides financial stability and offers some 'local protection' from the impact of national economic fluctuations. The importance of the local economy both to the Council and UK PLC cannot be underestimated with more than 17,000 businesses located in the Borough – greater than any neighbouring council.
- 2.7. The published medium term financial strategy illustrates the scale of the challenge the Council faces over the next few years. But its strong financial performance in 2013/14 provides a good platform for the future. Alongside its ambitious major change programme the Council expects to continue to balance its budget despite increased demands and high public expectations. This will be achieved by innovation, creativity and a hard commercial focus on costs, productivity and income generation. It remains clear that the overall cost base of the Authority will have to continue to reduce.
- 2.8. Through the reviews done to produce this Annual Governance Statement we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need.
- 2.9. While there may be isolated exceptions, we can be increasingly confident that our culture, values, and ways of working will continue

to reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.

3. Governance Framework

Scope of Responsibility

- 3.1. Cheshire East Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Local Government Act 1999 also places a duty on all councils to secure continuous improvement and to demonstrate economy, efficiency and effectiveness.
- 3.2. In discharging this overall responsibility, Cheshire East Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 3.3. The Council has approved and adopted a [Code of Corporate Governance](#) that is consistent with the six principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework [Delivering Good Governance in Local Government](#). A summary of those six principles is shown in **Figure 1**.
- 3.4. This Annual Governance Statement (AGS) explains how the Council:
 - has complied with the Code; and
 - Meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 (which requires all relevant bodies to prepare an Annual Governance Statement).

Cheshire East Council – DRAFT Annual Governance Statement 2013/14

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



- 3.5. This AGS is reported to the Council's Audit & Governance committee and is also published alongside its Statement of Accounts. It provides assurance that:
- governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed gaps, action is planned to ensure effective governance in future.

The Purpose of the Governance Framework

- 3.6. The Governance Framework comprises the systems, processes, cultures and values by which the Authority is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to

consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The 2013/14 Governance Framework and future developments

- 3.8. The Governance Framework shown in **Appendix 1** operated for the majority of 2013/14 and was in place at 31st March 2014. Changes to the 2013/14 Framework are described below.
- 3.9. The Council had six **Policy Development Groups** (PDGs) covering: Finance, Communities, Environment & Prosperity, Health & Adult Social Care, Corporate & Performance, and Children & Family Services. An independent review of the PDGs was commissioned towards the end of the financial year. As a result the Council will now replace these PDGs with five new 'Overview and Scrutiny Committees' linked to its five strategic priorities. This provides better alignment and clarity of purpose.
- 3.10. As part of the Council's move to be a strategic commissioner, the way services are delivered has been reviewed and a number of 'Alternative Service Delivery Vehicles' (ASDVs) have been created. Considerable work was done during 2013/14 to identify and develop the most appropriate models for each service area. ASDV steering groups were introduced to support and challenge as necessary.

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- 3.11. Four of the Council's new ASDVs went 'live' in April and May 2014/15 – with more planned during this year. The governance and stewardship arrangements for these ASDVs were reported to [Corporate Scrutiny Committee on 31st March 2014](#).

4. Review of Effectiveness

- 4.1. The Council undertakes an annual review of its governance arrangements co-ordinated by the Corporate Governance Group. This process is informed by a range of sources. It includes senior managers:
- **assurance statements** by individual service areas.
 - **partnership governance reviews** of significant arrangements.
 - **core support function reviews** focussed on monitoring compliance with policies and procedures including how this information is used to drive improvement, and how it is escalated or cascaded through the organisation.
- 4.2. The Council's internal and external auditors are also important sources of assurance:
- The **Internal Auditors** opinion on the Council's control environment is set out in their **Annual Report 2013/14**:

The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.

The report goes on to acknowledge that framework is continuing to develop as the Council goes through a period of rapid and unprecedented change. Evidence throughout 2013/14 shows that appropriate strategies and policies are in place and have been communicated. Understanding, application and compliance is not yet consistent across the organisation. Given the scale and pace of change, this is not unreasonable or unexpected.

Action has already been taken, or is planned, to address all of the issues raised by Internal Audit.

- **Internal Audit's self assessment** against the Public Sector Internal Audit Standards (PSIAS) shows that the service is being delivered to the required standard. Some areas for improvement are being addressed. These include the need to have an external assessment against the Standards carried out; due once every 5 years. The self- assessment and resulting action plan will be shared with the Audit and Governance Committee in September 2014 as part of the AGS review process.
- **External Reviews** - reports, feedback and action plans from the Council's external auditors and other review agencies and inspectorates demonstrate the ongoing improvement in the Council's governance arrangements. No matters arising from these reviews have resulted in the inclusion of significant governance issues in the AGS.

- 4.3. The **Audit and Governance Committee** plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 4.4. The Audit & Governance Committee's positive self- assessment against recently updated CIPFA guidance was reported in March 2014. The Committee assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented e.g. the revised terms of reference were approved by Council in May 2014.
- 4.5. The outcome of the Council's assessment of its governance arrangements in 2013/14 is summarised below. A more detailed assessment against the six CIPFA/SOLACE principles is set out in Appendix 2. Progress against the issues identified in the 2012/13 Annual Governance Statement and Action Plan is set out below (4.6).

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4.6. The table below sets out the progress made against the governance issues identified in the 2012/13 Annual Governance Statement.

Issue	Proposed Action	Owner	Progress update
Weaknesses in the Council's Organisational culture, which were a product of separate professional "silos" in the Council's management structure. These have sometimes caused confusion, poor decision making, and inefficiency, because it was not always clear who had authority to act and who was accountable ultimately for the success or failure of particular initiatives.	Move to new strategic commissioning operating model. Implement new management structure.	Chief Executive/ Chief Operating Officer	All three phases of the Management Review are now complete and the Council's organisational structure has been realigned. The new Head of Corporate Resources and Stewardship post gives a clear focus and leadership to the important stewardship and governance requirements of the organisation as it goes through major transition. The Council will continue to review and update its internal client arrangements, ensuring these provide robust governance and assurance as the Council's commissioning structure develops.
The Council has a significant number of corporate policies and procedures which have been mapped by the Corporate Governance Group. There is insufficient evidence from the various assurance sources that all council policies and procedures are currently embedded amongst Officers. With minimal resources, monitoring to ensure compliance with policies and procedures is currently limited.	Map Council's Assurance framework and review to ensure adequate coverage in ensuring compliance.	Chief Executive/ Chief Operating Officer	The Council's Assurance Framework has been mapped and continues to develop in line with the Council's transition to a commissioning structure e.g. the introduction of 'Core Support Function' reviews as part of the AGS process. The framework will be subject to continual monitoring and revision to ensure it remains appropriate.

- 4.7. The Council's arrangements for the protection of children were inspected by Ofsted during March 2013. Although the inspectors acknowledged that there were examples of good practice throughout services, there were a number of areas for improvement identified and therefore the effectiveness of arrangements was judged to be "inadequate" overall. An action plan was agreed with Ofsted and the Senior Leadership Team for Children's Services.
- 4.8. During 2013/14 Internal Audit reviewed the effectiveness of the governance arrangements in place within Children's Services with regard to implementing recommendations from external inspectorates and was able to deliver a "good assurance" opinion.

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- 4.9. The Council's assessment of its governance arrangements for 2013/14 has not identified any significant issues. Significant governance issues are those issues that may prevent the Council achieving its vision. The following areas are not considered significant but do require further attention during 2014/15.

Issue	Actions required	Responsibility	Target Date
Information Asset Registers - the organisation does not have current and complete Information Asset Registers.	To establish information asset registers and agree arrangements for their ongoing maintenance.	Chief Operating Officer	31 March 2015
Business Continuity Plans - current and tested business continuity plans are not in place across all service areas.	Internal Audit will review Business Continuity plans and identify specific areas for improvement.	Head of Corporate Resources and Stewardship	30 September 2014
Local Economic Partnership (LEP) governance arrangements - governance arrangements outlining the relationship between the Council and the LEP are out of date.	Governance arrangements need to be developed that are sufficiently 'future proofed' to accommodate further anticipated changes the role of the LEP, and the Council's relationship with it.	Director of Economic Growth and Prosperity	31 December 2014
Compliance with corporate policies and procedures – further work is needed across the Council to ensure policies and procedures are properly embedded. The Constitution Working Group, led by the Monitoring Officer has reviewed and updated the Constitution – as the Council's formal decision making framework. The updated Constitution and Officer Scheme of Delegation were considered and agreed at Council in May 2014.	The Corporate Governance Group, now chaired by the Head of Corporate Resources and Stewardship will revise its terms of reference to provide a specific focus of ensuring that the operational arrangements for governance, stewardship and decision making are appropriate and meet the Council's needs.	Head of Corporate Resources and Stewardship	31 July 2014

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- 4.10. There are also a limited number of emerging issues which are highlighted below that will be effectively managed to ensure they do not become significant governance issues. They will all be monitored by the Corporate Governance Group during 2014/15. They will be escalated to the Corporate Leadership Board, Audit and Governance Committee and Cabinet where necessary.

Issue	Proposed management action to reduce risk
On-going and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self financing. Many of these changes arise from changes to benefit administration, reductions in government grant and more schools becoming academies. While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.	The Chief Operating Officer considers the risk as part of the closure of accounts including his assessment of the need to make appropriate provisions in both the Collection Fund and General Fund. In addition, significant work has been undertaken with the Cabinet on ideas for the future. Cabinet intends to share these proposals for a balanced budget for 2015/16 in July 2014 – significantly earlier than ever before. This will provide residents and businesses with greater certainty and allow the Council more time to focus on the even greater financial challenges of 2016/17 and beyond.
The Council has a significant number of key projects currently in implementation and planned for the future. These include ambitious economic regeneration plans as well as the Council's ongoing commissioning reviews leading to new improved service delivery arrangements. Should one of these high profile projects be not delivered as planned it could result in aspects of service failure, reputational damage to the Council or increase the financial pressure on the council for the future.	<p>The Chief Operating Officer considers the risks as part of the closure of accounts including the need to make appropriate provision to mitigate the financial impact.</p> <p>The Council's revised robust project and programme management approach is now an established part of its governance framework. Through its member led executive monitoring board all major change programmes and projects are subject to scrutiny and challenge at both development and delivery stage. The Council's new scrutiny committees will also have an overview and will help to highlight any issues and mitigate this risk.</p>
The Council successfully launched four new service delivery vehicles in April and May 2014. Service areas transferred to these new companies were done from a governance perspective on essentially a 'lift' and 'shift' basis. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.	<p>Senior officers continue to work with the directors of the new companies and the Leisure Trust to clarify roles and responsibilities and to ensure that the requirements of the new contracts - and the benefit to residents - are fully achieved.</p> <p>The Cabinet expects to approve the shareholder agreements and directors mandates with Cheshire East Residents First and all of its subsidiaries in early 2014/15.</p>

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5. Conclusion

- 5.1. The Chief Operating Officer, as the Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor's opinion on the Council's control environment:

The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.

- 5.2. The Chief Operating Officer also recognises that further work is needed to ensure that the Council's framework of risk management, control and governance is fully, and consistently, embedded across the organisation. He will continue to work with the Council's Corporate Leadership Board (CLB) and Corporate Governance Group to ensure that this framework is regularly reviewed and refreshed so that it is fit for purpose for an ambitious commissioning council that puts residents and businesses first.

6. Approval

- 6.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 6.2. We propose over the coming year to take all appropriate action to address the above matters and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that these our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Councillor Michael Jones, Leader of the Council

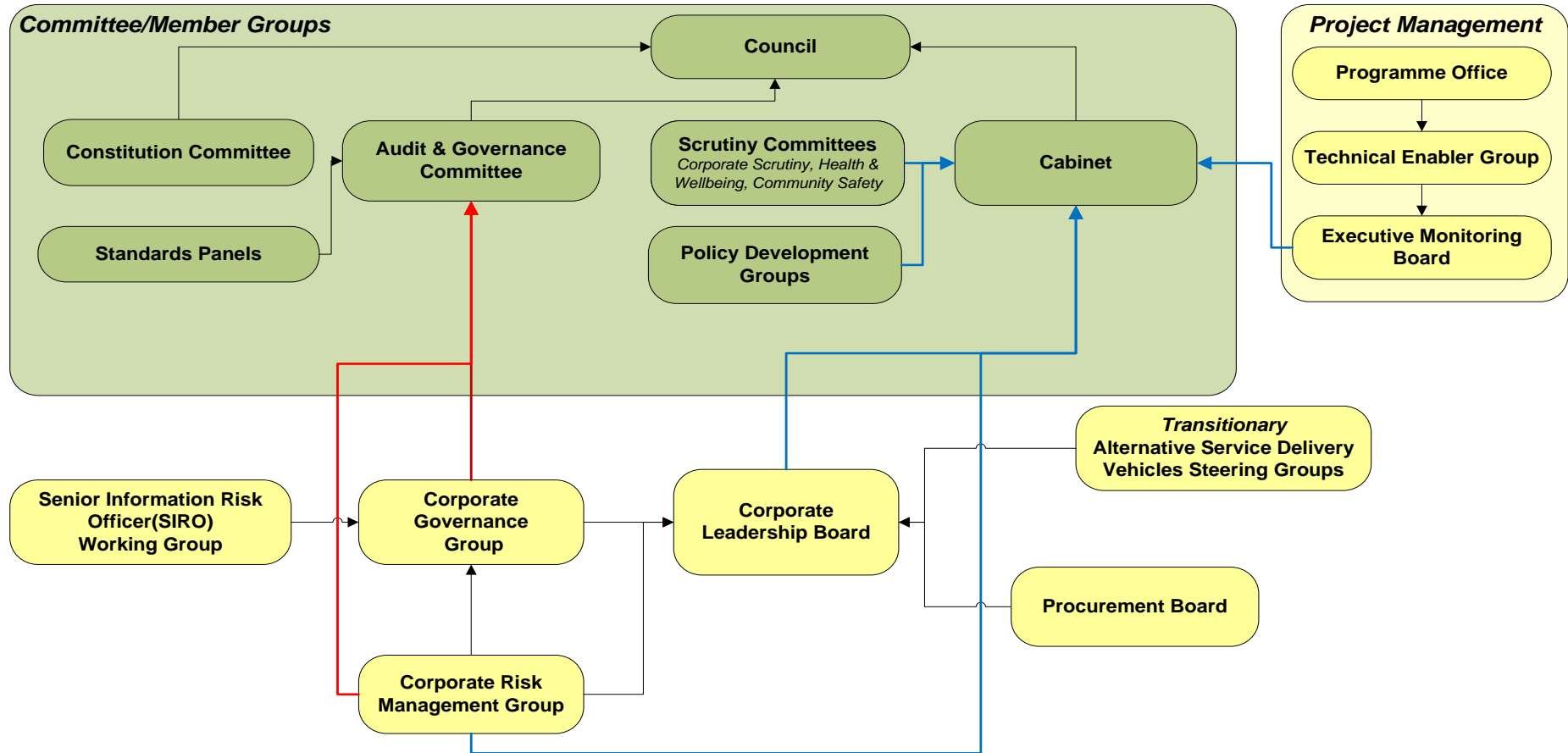
Date:

Mike Suarez, Chief Executive

Date:

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Appendix 1: The Governance Framework in operation during 2013/14



NB: Blue lines denote reporting to Cabinet/Red lines denote reporting to Audit and Governance Committee

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Appendix 2 – The Council’s more detailed assessment against the six CIPFA/SOLACE principles of good governance

Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Continuing to develop and promote the Council’s purpose and long term vision, set out in the Sustainable Communities Strategy “Ambition for All” 2012/25 through the updated Medium Term Financial Strategy (MTFS) and the Leader’s Report in February 2014.	Medium Term Financial Strategy, Leader’s Report and Budget 2014/17 (Council, 27 th February 2014)
We have reviewed and restated the authority’s priorities for the local area and have reviewed, and continue to develop, the authority’s governance arrangements as we make the transition to operating as a strategic commissioning Council and delivering services in different ways.	Approval of Cheshire East Residents First Ltd (Cabinet, 24 th March 2014) Alternative Service Delivery Vehicle Governance and Stewardship (Audit and Governance Committee, 27 th March 2014)
Rural Proofing was adopted by the Council during 2013/14 to ensure the rural areas of Cheshire East get the best and fairest deal from the Council’s policies and decisions .This supports the “Rural Communities are thriving” element of the Council’s vision. A Rural Statement is under development which will provide direction on Cheshire East’s rural priorities and a Rural Proofing Checklist has been approved, for use in “rural proofing” key decisions.	Approval of the recommendations in the Rural Proofing and Creating Resilient Rural Communities (Cabinet, 12 th November 2013).
In transforming commissioning arrangements, the Authority is continuing to deliver services through working with a range of external organisations. The importance of clear contractual arrangements to deliver a common vision through strong governance arrangements is fully recognised.	CoSocius , jointly owned with Cheshire West and Chester Council began trading (1 st May 2014).
The authority communicates primarily through its website regarding the Council’s vision , achievements , financial position and performance . Cheshire East Direct is sent to around 100,000 email recipients, of whom around 45,000 regularly choose to read the newsletter. This has been used in a variety of ways over 2013/14, from providing weekly bulletins to thematic “specials”. Various parts of the organisation also use other forms of social media, including Twitter , Facebook , YouTube and Flickr to engage and inform communities and stakeholders. The Communications team also provide related media releases, where appropriate.	Cheshire East Direct The Council’s main Twitter account, @CheshireEast has approx. 7,500 followers. “Auditors give Cheshire East Council the seal of approval over its financial management” October 2013
Performance reports are discussed on a monthly basis at Corporate Leadership Board (CLB) and taken to Cabinet each quarter. The content of the reports demonstrate the Council’s progress in achieving against each of the five outcomes from the Council’s Three Year Plan and are used to highlight examples of	First Quarter (19 th August 2013) Mid Year Review of Performance November 2013

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Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
excellence in service delivery, as well as monitoring areas requiring improvement.	Third Quarter Review of Performance 2013/14 February 2014
The authority has strengthened its arrangements to identify and deal with failures in service delivery by bringing together the teams dealing with corporate and social care complaints. This has realised improvements in business processes and management of complaints. Quarterly reports are taken to CLB, raising any specific areas of concern. An annual report, including Council's cases considered by the Local Government Ombudsman, is presented to Audit and Governance Committee. There are no matters arising from the annual report which have led to the inclusion of a significant governance issue in the 2013/14 draft AGS.	Audit and Governance Committee - Complaints Annual Report (28 th November 2013)
In October 2013, the Council published its first "Value for Money Overview", demonstrating the financial resilience of the Council. The key aim of the Overview is to support Member decision making for the medium to long term in order to maintain a sustainable financial environment for the Council.	Value for Money, Guidance and Data on the Financial Resilience of the Council (October 2013)
The authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary. Quarterly financial updates ensure that budget variances are identified, reported and addressed through remedial action in order to minimise any unplanned call on balances. Delivery of significant budget changes is risk assessed and tracked on a monthly basis. The level of balances is reviewed annually and a detailed risk assessment is undertaken to ensure the adequacy of reserves relative to potential commitments. The 2012/13 outturn substantially improved upon previous years, and 2013/14 looks set to follow. Various balance sheet strengthening measures are considered as part of account closure process to improve financial resilience.	Quarterly Performance reporting to Cabinet. 2012/13 Final Outturn Review of Performance (Cabinet, 24 th June 2013)
CIPFA's Prudential Code for Capital Finance in Local Authorities and their Treasury Management Code of Practice have been adopted in full. The Council receives specialist support from Arlingclose on all aspects of borrowing, lending and investments. Member awareness and engagement on Treasury Management issues is progressed through development events and weekly updates. An annual report on the Treasury Management Strategy for 2014/15, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2014/17, required under Part 1 of the Local Government Act 2003 was approved by Council in February 2014.	Treasury Management Strategy and MRP 2014/15: Audit & Governance Committee (30 th January 2014) Cabinet (4 th February 2014) Council (27 th February 2014)

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Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The Leader outlined his intention to restructure the Cabinet and introduce Deputy Cabinet Members to reflect the demands of operating as a commissioning authority to the Council on 27th February 2014 .	Council approved appointments to, and the functions delegated, to Cabinet on May 2014 .
Following the completion of the senior level management restructure required to support the transition to commissioning Council status, a revised officer delegation scheme has been developed and the expectations of Members with regard to ASDV accountability have been outlined. Further work continues in updating Local Schemes of Delegation (financial and non financial).	Revised Scheme of Delegation to Officers (Council, 14 th May 2014). ASDV Scrutiny, Governance and Stewardship arrangements were reported to Corporate Scrutiny Committee on 31st March 2014 .
The Chief Executive is responsible and accountable to the authority for all aspects of operational management. Mike Suarez was appointed as Chief Executive by Council on 7 th May 2013, and took the post with effect from 12 th August 2013.	Scheme of Delegation to Officers
The Chief Operating Officer (COO) (Section 151 Officer), reports directly to the Chief Executive and is a member of the Corporate Leadership Board. The COO is responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control. The COO's core responsibilities include those set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) . The introduction of the Head of Corporate Resources and Stewardship role further enables the promotion and delivery of good financial management throughout the organisation, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	Corporate Leadership Board Scheme of Delegation to Officers
The Head of Legal Services and Monitoring Officer is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Scheme of Delegation to Officers
The Business Planning Process is summarised in the 2014/17 Budget report, which clearly sets out how resources will be matched against the delivery of priorities established in the Council's Three Year Plan and major change programmes. Section 2 sets out the approach to delivering financial stability and a balanced budget over the medium term. Annex 7 includes a comprehensive guide to the Council's Reserve Strategy.	Budget Report 2014/17
The Constitution includes a Member /Officer Relations protocol, which was established to encourage effective communication between members and officers. This will be reviewed during 2014/15.	Member/Officer Relations Protocol in Cheshire East Constitution
The Council publishes a Pay Policy Statement by 31 st March on an annual basis. This provides transparency with regard to the Council's approach to setting the pay of its employees and is in	Pay Policy Statement for 2014/15 approved by Council 27th February 2014 .

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Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2013/14 was agreed by Council on 28 th February 2013 and the Policy for 2014/15 agreed by Council on 27 th February 2014.	
Cheshire East Council has established a medium term business planning process to support the delivery of its strategic objectives. This includes a medium term financial strategy, a robust and balanced annual budget and a monitoring process enabling scrutiny of delivery and challenge to the continuing relevance of assumptions used. Quarterly performance reports to Cabinet during 2013/14 covering financial and non-financial performance indicators, supporting the achievement of corporate priorities and objectives.	Medium Term Financial Strategy, Leader's Report and Budget 2014/17 Third Quarter Review of Performance 2013/14
During 2013/14, Cheshire East Council has worked closely with other delivery partners such as the Cheshire and Warrington Enterprise Partnership, delivering the Growing Places Fund.	Partnership Governance Reviews Cheshire and Warrington Enterprise Partnership

Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The standards of conduct and personal behaviour expected of and between members, staff, associated partners and the community are defined and communicated through codes of conduct and protocols.	Members Code of Conduct and Staff Code of Conduct are included in the Council's Constitution .
The Council uses the Code of Conduct, the Anti-Fraud and Corruption Policy and Whistleblowing Policy to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. Audit and Governance Committee received an update report, "Anti-Fraud and Corruption Arrangements" outlining progress in implementing key anti-fraud actions to protect the Council's interests.	Anti Fraud and Corruption Arrangements (28 th November 2013)
Internal Audit completed a review of 'Core Support Functions' to support this AGS. This review is an important element in ensuring the Council's organisational values are put into practice. It includes a high level assessment of the extent to which agreed policies are implemented. It will also help share best practice, ensure compliance and provide assurance and oversight to the Corporate Leadership Board. A key challenge for the Council is to ensure it has clearly defined oversight structures with roles,	The Internal Audit review has identified that there is variety in practice across the organisation. A summary of the findings will be presented to the Corporate Governance Group and Corporate Leadership Board as part of the further development of the Assurance Framework.

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Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
responsibilities and accountability. Formal and informal quality assurance processes across the organisation enable proposed policies to be reviewed and revised prior to approval by the appropriate Officer or Member group, as illustrated on the Governance Framework in Appendix 1 before being communicated out to the wider organisation.	
The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. The Committee received the Standards Panels and Sub Committee Annual Report on 27 th March 2014. This covered all complaints received under the Code from April 2013 to March 2014.	Members' Code of Conduct: Standards Panel and Sub-Committee Annual Report (27 th March 2014) Of the complaints which had completed the initial assessment stage, the Initial Assessment Panel did not refer any of the complaints to formal investigation, regulatory agency or the Police.
Reviews of Council services have been carried out throughout the year by external inspectorates such as Ofsted and the Care Quality Commission. Whilst some improvement measures have been identified, the majority of service provision was reported as being delivered to the required standards, and in some instances, delivering over and above. Action plans have been agreed to monitor the implementation of actions where required. There are no matters arising from these reviews which have led to the inclusion of a significant governance issue in the 2013/14 draft AGS.	Care Quality Commission Ofsted

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

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>The Council's revised project and programme management approach was officially launched this year and is now an established part of the Governance Framework and incorporated within the Constitution.</p> <p>This process allows all major change project objectives to be subject to scrutiny and challenge at both development and delivery stage. The next phase of review will focus on ways of more effectively sharing the learning outcomes from individual projects or programmes with the wider Programme Management Office (PMO).</p>	<p>The PMO manager is monitoring the effectiveness of the project/programme management to process, identify and implement changes as required. For example, PMO documentation and CEntranet pages will be updated in early 2014/15.</p>

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Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>The agendas, papers and minutes of Committee meetings form the main mechanism for documenting evidence for decisions and recording the criteria, rationale and considerations on which key decisions are based. These are published on the Council's website. Declarations of interests made by Officers and Members are routinely recorded in the minutes of Committee meetings.</p> <p>Decision makers are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete, and gives clear explanations of issues and implications on both a financial and non-financial basis. Financial implications of all key decisions are signed off by Senior Finance Staff.</p>	Cheshire East Council – Agendas, Minutes and Reports
The Council assessed the effectiveness of its Internal Audit function by self assessing compliance with the Public Sector Internal Audit Standards (PSIAS). The review completed by Audit Managers has concluded that, although there are areas for improvement, which will be included in a separate action plan, the internal audit service is being delivered to the required standard.	Audit and Governance Committee (June 2014)
The organisation has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Following a recent Internal Audit review of this area, some improvements have been identified, which if implemented, should further improve and enhance the robustness of the declarations process. Management are finalising responses to this report.	Individual Member Register of Interests are published on the Council's website
A self-assessment of the Audit and Governance Committee was carried out by the Chair and Vice Chair in conjunction with the Audit Managers and reported to the Committee in March 2014. As the assessment was made against recently updated CIPFA guidance, there were a number of areas which were assessed as partially complaint. Actions to ensure full compliance have been identified, and in some cases already actioned i.e. Terms of Reference for the Committee have been revised and approved.	<p>Audit & Governance Committee Self Assessment (27th March 2014)</p> <p>Audit and Governance Committee Terms of Reference - Council (14th May 2014)</p>
The COO attends all CLB, Cabinet and Council meetings, clears all Committee decision papers with material financial implications and has direct access to the Audit and Governance Committee and External Audit. The COO meets regularly with the Resources Portfolio holder.	Cheshire East Council – Agendas, Minutes and Reports
Information on the financial performance of the organisation provided to budget managers and senior officers is well presented, timely, complete and accurate. The Financial Reporting Centre provides self-serve access for managers to a consistent set of reports. Month-end processing timetable has been reviewed and accelerated to allow for published reports by the first Monday following calendar month end. Further enhancement work is planned to include interactive forecasting capability.	Financial Reporting Centre

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Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Reserves strategy and forecasts are clearly set out in the budget report and are monitored through the quarterly Finance updates. Opportunities for strengthening the reserves position are routinely considered as part of the account closure exercise.	Budget Report 2014/17
The Corporate Risk Management Group continues to meet and be chaired by the Deputy Leader. Regular updates from the Group are provided to Corporate Governance Group, Corporate Leadership Board and the Audit and Governance Committee. This includes progress in managing key risks from the Corporate Risk Register. The Council's Risk Management Policy was reviewed during 2013/14, and found to be broadly fit for purpose, with a number of minor amendments to further enhance the Policy.	Cabinet approved the revised Risk Management Policy on 22nd July 2013 .
The Council's Whistleblowing Policy has been in place during 2013/14. The Policy is available on the Council's website and intranet site and an email address is made available. A review against best practice has been carried out and will be reported to the June 2014 Audit and Governance Committee.	Audit and Governance Committee (June 2014)
We annually report on our compliance with the Regulation of Investigatory Powers (RIPA) Act 2000 to the Audit & Governance Committee. The report explains the use of the legislation and the arrangements in place to ensure the Council is compliant. An external inspection report on the Council's use of RIPA in May 2013 was very positive and all recommendations have been implemented.	Report to Audit and Governance Committee, 27th March 2014
<p>The organisation does not have current and complete Information Asset Registers. These are required to update and subsequently maintain a Publication Scheme, in order to ensure the organisation is compliant with the additional requirements of the Freedom of Information Act 2000 added under the Protection of Freedoms Act 2012, and in support of the organisation's commitment to transparency and openness.</p> <p>Other Open Data sources are available from the Council's websites, including expenditure over £500, Member's Register of Interests, Member attendance and Senior staff salaries.</p>	<p>A Transparency Project has been established which will co-ordinate the completion and collection of Information Asset Registers and arrangements for their ongoing maintenance.</p> <p>Council spend over £500 in 2014 Member attendance Member's Register of Interests Senior Staff Salaries</p>

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Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
In 2013/14, the Council completed a three phase management restructure to achieve a redesigned structure to support strategic commissioning. As part of this restructure a number of senior appointments were made to ensure the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood.	New management structure.
<p>The last year has seen an unprecedented number of staff joining the organisation at the senior management level. Whilst the authority has induction processes in place, these could have been tailored to provide more targeted support, which would have addressed the operational/staff management aspects of their roles, and supported a smoother transition for both the individuals joining the organisation, and the staff reporting to them.</p> <p>As the organisation wide management restructure phases have completed, it is unlikely (and undesirable) that there will be such significant change at that level, but the opportunity to learn from these experiences can be benefitted from.</p>	<p>HR to review the induction support provided corporately and identify opportunities to tailor/target support across different levels of management within the organisation, acknowledging that such support will not necessarily be provided by HR, but by other Corporate Support Services.</p> <p>Timescale to be considered</p>
The COO is a qualified CCAB accountant, with extensive local government experience. The COO is supported by a Finance team which includes a high number of qualified/part qualified accountants and qualified/part qualified accounting technicians. Cheshire East is accredited as training employer by CIPFA, AAT and ACCA.	
<p>All staff with access used the Oracle Performance Development module to carry out the performance review process. This provides an assessment against the achievement of objectives, corporate behaviours, and an overall performance rating for the year. It also informs skill development requirements. The 'Towards Excellence' Training Programme is a collection of training courses and development programmes offered to all staff in the organisation.</p> <p>Members have Personal Development Plans which can be established and reviewed with the support of the Council's Democratic Services team, or their political parties.</p>	Performance Development Plans
Councillor's roles and responsibilities for monitoring financial performance are outlined in the Constitution, Scheme of Delegation and in Committee Terms of Reference. Members have access to appropriate financial training on an ongoing basis to help them discharge their responsibilities, for example from Arlingclose for Treasury Management. Members of the Audit and Governance Committee, and the Finance Portfolio Holder have experience, skills and qualifications in the Finance area	Constitution Schemes of Delegation Committee Terms of Reference.
Members have completed a "Skills Audit" process which provide information to the party Whips on the	

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Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
skills and qualifications of their Members. This can then be used in considering appointments to Committees.	

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
A series of staff road shows have been held with both the Leader and Chief Executive using the opportunity to outline the Council's vision and strategy to staff across all areas of the organisation. These have promoted the " Cheshire East – Best in the North West " and "Resident Led" aspects of the Council's vision. The " Media Hub " part of the Council's website draws together communications about the Council and there is a dedicated webpage for " Public Consultations ".	Staff Survey results (May 2014): 89% understood how their work supports the residents and businesses of Cheshire East. 82% understood the aims and objectives of their service.
Three scrutiny functions have been in operation during the year, following revision in 23013/14; Corporate Scrutiny, Community Safety and the Health and Wellbeing Scrutiny Committee. An annual scrutiny report will be re-introduced at the end of 2014/15.	Corporate Scrutiny Committee
The Council is committed to openness and transparency. Meeting items are only "Part 2" if they absolutely cannot be discussed in any other way. This year Cabinet Meetings began to be broadcast live on the internet, and are available online to be watched after the event.	Webcast Cabinet Meetings.
Engaging with our communities is essential to ensure that we are a resident led authority. Consultation exercises are carried out as required; for example, consultation on the Local Plan has continued into 2013/14. The Influence Cheshire East (ICE) citizen's panel carried out a survey amongst participants in Summer 2013, and has since carried out the annual refresh of panel participants. A survey amongst these participants will be commissioned in due course. The surveys provide valuable and constructive feedback which informs future service delivery.	Local Plan Consultations April 2014 ICE Newsletter
Staff receive a weekly 'Team Talk' corporate newsletter in addition to service specific communication and briefings. Information is cascaded from CLB through Department Management Team meetings to Team/Unit meetings as necessary. 'Team Talkback' and an online 'Staff Suggestion' forum have been introduced during 2013/14 to encourage greater feedback and discussion amongst staff, and between staff and CLB.	Centranet – 'Team Talk'

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	26 June 2014
Report of:	Chief Operating Officer
Subject/Title:	Draft Pre-Audit Statement of Accounts 2013/14
Portfolio Holder:	Councillor Peter Raynes

1.0 Report Summary

- 1.1 This report introduces the 2013/14 pre-audit statement of accounts to the Committee for consideration and comment. It informs the Committee that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2014 alongside its draft Annual Governance Statement by the 30 June 2014 deadline.
- 1.2 The report provides members with an insight into the strong financial and operational performance delivered in 2013/14 and highlights some of the key elements of the pre-audit statement of accounts.
- 1.3 The journey to becoming a strategic commissioning council is now well developed and 2013/14 was the first year of the Council's 3 year plan and commitment. An ambitious but measured approach is being taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity. This approach provides a platform to redefine and reinvent the Council in a systematic way. The focus is to deliver sustainable quality cost effective services that are needed by Cheshire East residents and businesses.
- 1.4 This philosophy is about more than simply reducing costs through cheaper provision or traditional outsourcing. New approaches to service delivery are being developed to get the best from in-house services. These include joint ventures between the Council and other providers, and new delivery vehicles including Council owned and controlled companies, social enterprises and Trusts.
- 1.5 The headline outturn position for 2013/14 shows an underspend of £0.897m, (0.35%), against the approved revenue budget of £260m. General reserves are now £19.8m and in-line with budget estimates. Earmarked reserves of £26.3m are now set aside for a range of specific purposes. The Cabinet will recommend the creation of new reserves of £12.4m to Council on 1 July 2014. The overall level of reserves is now considered sufficient to continue to protect the Council against its assessed financial risks as well as providing opportunities for future investment in its identified priorities.

2.0 Recommendations

- 2.1 That members' note that the pre-audit statement of accounts for year ended 31st March 2014 will be published on the 26 June 2014 alongside its Annual Governance Statement.
- 2.2 That members note the £0.897m surplus generated in 2013/14 and new earmarked reserves of £12.4m.

3.0 Reasons for Recommendations

- 3.1 The Accounts and Audit Regulations 2011 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30 September 2014. It is considered important and good practice that this Committee also receives an overview of the key issues within the draft 2013/14 Statement of Accounts before the external audit work begins.

4.0 Background

- 4.1 2013/14 was the first year of the Council's 3 Year Plan. During this year the Council accelerated its programme of significant change and innovation. The Council's review of its management structure, roles and responsibilities, completed in early 2014 is a significant step forward. The Council can reflect on many financial and operational successes throughout 2013/14 and it is now in a much stronger position than when it started the year:

- The senior leadership team is now in place;
- Strong financial performance has ensured that reserves are now in line with the Council's assessment of its financial risks and also to provide opportunities for future investment in its identified priorities.
- Strong service performance in key areas including:
 - success in attracting new businesses places it as only one of three hot spots outside London;
 - now the best performing council in the North West, (and one of the best overall), in decreasing the number of young people classed as not in education, employment or training (NEET);
 - highest ever number of good and outstanding schools - 87.3%;
 - adoption timeliness and outcomes have improved;
 - Adult Social Care project launched to redesign assessment and care management responsibilities;
 - successful completion of a £65m capital programme;
 - developed a compelling business case for Crewe as a HS2 Hub station with the potential to drive major growth and regeneration benefits for Crewe and the wider region; and
 - rolling out superfast broadband across the sub-region through the £28.5 million 'Connecting Cheshire' project.

- 4.2 Like all local authorities, this Council continues to be affected by Central Government's austerity measures, as it wrestles with the size of the national debt. While the Council has discretion to increase local taxes it has not done so now for four consecutive years as it continues to strive to 'put residents first' and support the local economy.

- 4.3 The published medium term financial strategy illustrates the scale of the challenge the Council faces over the next few years. But its impressive financial performance in 2013/14 has provided a strong platform. Alongside its ambitious major change programme the Council expects to continue to balance its budget despite increased demands and high public expectations. This will be achieved by innovation, creativity and a hard commercial focus on costs, productivity and

income generation. It remains clear that the Council's overall cost base will have to continue to reduce.

5.0 Headline messages from the statement of accounts

- 5.1 The headline outturn position shows an underspend of £0.897m against the approved revenue budget of £260m. This includes an underspend of £3.6m by Commissioning Services; this is made up of a range of savings including securing planned cost reductions earlier than forecast. It is offset by a £2.7m overspend on central budgets. Additional grants received in year together with the service under spend provided the flexibility to create earmarked reserves and fund capital investment of £2.6m in the Manchester Science Park, which successfully acquired the Alderley Park Site from AstraZeneca.
- 5.2 General reserves (excluding schools) have increased in 2013/14 in-line with budget estimates. General Reserves are now £19.8m (7% of the net budget). Earmarked reserves are now £26.3m – excluding schools reserves and balances of £8.8m. The overall level of reserves is at a level that is sufficient to continue to protect the Council against its assessed financial risks and also to provide opportunities for future investment. This strengthening of the balance sheet, during these challenging times, is a positive indicator of the Council's good financial control together with its strategic intentions.
- 5.3 The Business Rates Retention Scheme was in place from 1 April 2013. As part of the 2013/14 transactions, the Council has created a provision of £3.3m. A number of valuation appeals have been received. This money is set aside to fund any successful appeal; and is prudent given the current uncertainty over the outcome.
- 5.4 The Council continues to present a healthy balance sheet, with net assets of £245.9m, (£233.7m at 31 March 2013). This is an increase of £12.2m. This is largely as a result of a decrease in the pension liability (+£42.9m), a decrease in non-current (fixed) assets (-£40.7m) and repayment of long term borrowing (+£11m)
- 5.5 The Council continues to improve its performance in producing the Statement of Accounts. The external auditors commented last year on the improvements in quality of the accounts and supporting working papers. The recommendations made by the external auditors last year have been also been implemented. The Chief Operating Officer, (Section 151), has produced a pre-audit set of accounts that provides a true and fair view of the Council's financial position. He expects to receive a clean (unqualified) audit opinion from the external auditors.
- 5.6 The following sections describe the significant issues within each of the main financial statements. A full version of the draft Statement of Accounts will be made available on the website by 30 June 2014.

6.0 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

6.1 This statement shows:

- the sum of all income, expenditure, gains and losses incurred by the Council during the year; and
- a net deficit on Provision of Services of £57.4m, compared to £72.9m in 2012/13.

Summarised Comprehensive Income and Expenditure Statement	2013-14			2012-13
	Spend £000	Income £000	Total £000	Total £000
Expenditure on Services	690,061	(290,265)	399,796	427,363
Corporate and Democratic Core	7,945	(6,895)	1,050	3,471
Non-distributed Costs	(4,982)	(28)	(5,010)	4,828
Cost of Services	693,024	(297,188)	395,836	435,662
Other Operating Income & Expenditure	48,625	(1,270)	47,355	44,443
Financing and Invnt Income and Expenditure	26,344	(920)	25,424	23,355
Taxation and Non-Specific Grant Income	0	(411,168)	(411,168)	(430,524)
(Surplus)/Deficit on Services	767,993	(710,546)	57,447	72,936
Surplus on Revaluation of Assets/Invnts	0	0	(20,032)	6,611
(Surplus)/Deficit on Pensions	0	0	(49,696)	64,684
Total	0	0	(12,281)	144,231

6.2 In order to convert the figures shown above into amounts to be charged or credited against Council Tax in year, a number of adjustments are made in the Movement in Reserves Statement.

7.0 MOVEMENT IN RESERVES STATEMENT

7.1 The main changes are to reverse out the effect of certain costs recorded in the accounts when they are identified, but not reflected in the Council's outturn performance until they are realised in later years. These include:

- Pension reserves adjustment - £43m;
- Gains/losses on disposal, revaluation, and depreciation totalling more than £86m are replaced with debt repayments of £9.5m and capital funded directly from revenue amounting to £2.6m; and
- Capital grants received in year - £42m.

7.2 After the removal of all the transactions that are not chargeable against the General Fund, the balance as at 31st March 2014 has increased by £0.897m to £19.8m as shown in the following table.

Summarised Movement in Reserves Statement	General Fund £000	Earmarked Reserves £000	Other Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Opening Balance 1/4/13	18,936	21,911	12,593	180,236	233,676
Surplus / (Deficit) on Services	(57,447)				(57,447)
Other Expenditure and Income				69,728	69,728
Accounting Adjustments	72,920		3,334	(76,254)	0
Transfer to Earmarked Reserves	(14,576)	13,244	1,332	0	0
Closing Balance 31/3/14	19,833	35,155	17,259	173,710	245,957

7.3 BALANCE SHEET

7.4 The balance sheet position as at 31 March 2014 shows an increase in net assets of £12.2m.

Summarised Balance Sheet	31 March 2014 £000	Restated 31 March 2013 £000	Change £000
Property, Plant & Equipment	766,681	809,423	(42,742)
Investment Property	11,539	9,846	1,693
Other Non-Current Assets	2,229	1,861	368
Long Term Investments and Debtors	30,247	28,146	2,101
Long Term Assets	810,696	849,276	(38,580)
Short Term Investments	18,072	11,490	6,582
Debtors	57,727	48,178	9,549
Cash & Cash Equivalents	26,036	32,688	(6,652)
Other Current Assets	6,454	1,569	4,885
Current Assets	108,289	93,925	14,364
Creditors	(77,390)	(71,489)	(5,901)
Short Term Borrowing	(12,570)	(7,588)	(4,982)
Current Liabilities	(89,960)	(79,077)	(10,883)
Provisions	(12,576)	(7,323)	(5,253)
Long Term Borrowing	(115,223)	(126,264)	11,041
Net Pension Liability	(388,432)	(431,324)	42,892
Other Long Term Liabilities	(66,837)	(65,537)	(1,300)
Long Term Liabilities	(583,068)	(630,448)	47,380
Net Assets	245,957	233,676	12,281
<u>Usable Reserves</u>			
Capital Receipts Reserve	1,704	1,077	627
Capital Grants Unapplied	15,555	11,516	4,039
Schools Reserves & Balances	8,810	12,626	(3,816)
Earmarked Reserves	26,345	9,285	17,060
General Fund Reserve	19,833	18,936	897
Total Usable Reserves	72,247	53,440	18,807
<u>Unusable Reserves</u>			
Revaluation Reserve	189,189	185,172	4,017
Capital Adjustment Account	384,568	434,443	(49,875)
Pensions Reserve	(388,432)	(431,324)	42,892
Other Unusable Reserves	(11,615)	(8,055)	(3,560)
Total Unusable Reserves	173,710	180,236	(6,526)
Total Reserves	245,957	233,676	12,281

- 7.5 **Pensions** - The £388m net pension's liability at 31 March 2014 is 10% lower than the £431m at 31 March 2013. In common with most local authorities, the significant changes include:
- The deficit has decreased due to a change in the projected future pay growth assumption and an improvement in asset returns. This is partially offset by a fall in the yield from bonds.
 - The cost associated with providing benefits has also fallen due to the lower projected future pay growth assumption, thereby reducing the interest on the liability.
- 7.6 These revised projections do not have any immediate impact on the Council's reserves. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund. The investment strategy is then determined to aim to recover the deficit over a defined period (currently 20 years).
- 7.7 Changes to the LGPS came into effect in April 2014, in line with Government public sector pension reforms. These changes are likely to affect the Council's liability in future. Pensions are now based on Career Average Revalued Earnings rather than Final Salary. Other significant changes include employee contribution rates - there are now nine different contribution banding rates between 5.5% and 12.5%.
- 7.8 **Property, Plant and Equipment** – the value of assets have decreased by £43m as a result of the targeted rationalisation of property in the form of disposals or transfers together with the annual revaluation exercise.
- 7.9 During the year a further 14 schools transferred to Academy, Foundation or Voluntary Aided status in 2013/14. The value of these assets has been written out of the Council's balance sheet. This includes Sir William Stanier Community School with a net book value of £16.9m.
- 7.10 Sales of the Council's land and buildings during 2013/14 generated capital receipts of £5.5m. These include:
- the sale of Parkgate Industrial Estate (£2.0m);
 - the former children's home Priors Hill (£0.7m); and
 - Barnshaw Hall Farm (£0.5m).
- 7.11 In 2013/14 the entire school portfolio was revalued alongside other assets that required a valuation due to major capital investment or a change in asset classification.
- 7.12 The balance sheet has been restated to recognise an increase in valuation and liability for the PFI Extra Care Housing Scheme; the previous valuation did not reflect the third party income generation potential from the site. This value of £16.4m has been added to the Council's asset base as of 31st March 2009, an offsetting creditor is recognised reflecting the fact that the Council is committed to pass this income back to the operator to offset the unitary charge.
- 7.13 **Borrowing and Investments** - The Councils capital financing requirement (CFR) currently exceeds the amounts actually borrowed. The shortfall is funded from cash balances. Borrowing of £11m was repaid in 2013/14 and no new external loans were taken out. This is a

direct result of the Council's deliberate strategy to utilise cash balances.

- 7.14 In line with its Treasury Management Strategy the Council financed capital expenditure through the use of its own cash balances rather than raising new long term loans. The benefits of this are twofold:
- firstly by reducing the amount of cash balances held by the Council it reduces the credit risk; and
 - secondly, the interest foregone on cash balances used to finance capital expenditure payments was less than the amount of interest payable on any new loans that would have been raised.
- 7.15 The Council received net investment income £0.4m compared to the initial budget target of £0.3m. On average cash balances of £91m were available for investment the total average interest rate received in the year was 0.54%. The Bank of England base rate remained at 0.50% for the full year.

8.0 **Background to the statement of accounts**

- 8.1 The Statement of Accounts for 2013/14 is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In 2013/14 there have been no significant changes in the Code's requirements which affect Cheshire East Council and therefore no change to the Authority's accounting policies or the format of the accounts.
- 8.2 The objective of the Statement of Accounts is to provide information about the Council's financial performance that is useful to a wide range of users for assessing the stewardship of the council's management. Its purpose is to give readers and stakeholders clear information about the Council's finances and to answer questions such as: what did the council services cost; where the money came from; what are the significant events this year; and what is the Council's net worth?
- 8.3 While members are not required to approve the pre-audit statement of accounts, it is considered good practice to present the accounts to this committee before the Chief Operating Officer signs them for publication. The Pre-Audit Statement of accounts will be published before 30 June 2013 and the certified Statement of Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.

9.0 **Next steps**

- 9.1 The Council's external auditors are Grant Thornton. Their formal audit will commence on 1 July and is expected to be completed by mid September.
- 9.2 The Committee will receive independent reports from the auditors on 18 September 2014 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will be presented to this Committee for approval on 18 September in advance of the publication deadline of 30 September.

10.0 **Wards Affected**

10.1 Not applicable.

11.0 Local Ward Members

11.1 Not applicable.

12.0 Policy Implications including Carbon Reduction and Health

12.1 None.

13.0 Financial Implications

13.1 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. It is a key measurement of the overall financial performance of the authority and is an important part of the Council's financial governance and stewardship arrangements.

14.0 Legal Implications

14.1 The regulations arising out of the Audit Commission Act 1998 (Accounts and Audit Regulations 2011) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).

14.2 Further supporting guidance contained in the Service Reporting Code of Practice for Local Authorities (Sercop) and Local Authority Accounting Panel (LAAP) bulletins is applied as relevant. The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

14.3 The Audited statements are to be approved by committee and published by end of September following the financial year.

15.0 Risk Management

15.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts and an adverse impact on the Council's reputation.

16.0 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

REPORT TO: Audit and Governance Committee

Date of Meeting:	26th June 2014
Report of:	Head of Legal Services
Title:	Whistleblowing Arrangements
Portfolio Holder:	Councillor P Findlow

1.0 Report Summary

- 1.1 To provide the Committee with an update on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received during 2013/14.

2.0 Recommendations

- 2.1 That the Committee note the report and endorse the proposed actions for the ongoing review of the Council's whistleblowing arrangements.
- 2.2 That the Committee accept and approve the proposed amendments to the Whistleblowing Policy.

3.0 Reasons for Recommendations

- 3.1 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.

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 Chief Operating Officer)

- 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 (Authorised by the Head of Legal Services)

- 8.1 The legislative framework for whistleblowing in England is contained in the Employment Rights Act 1996, as amended the Public Interest Disclosure Act 1998 (PIDA), and the Enterprise and Regulatory Reform Act 2013 (ERRA). The purpose behind these Acts is to provide protection to those employees who raise concern, and ensure that they are not unfairly treated as a result of raising their concern.
- 8.2 The whistleblowing legislation does not impose any positive obligations on employers to encourage whistleblowing or to implement a whistleblowing policy. However, the Government expects all public bodies to have written policies and the whistleblowing arrangements in local authorities are assessed as part of their annual audit process.

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 2013/14, a total of 8 whistleblowing reports were received by Internal Audit, which can be broken down as follows:
 - 5 did not fall under the scope of the policy and were therefore referred to the appropriate service/organisation for action;
 - 2 were unsubstantiated following investigation; and
 - 1 is currently under investigation and appropriate remedial action will be taken to address any control weaknesses identified during this process.
- 10.10 This represents a 33% increase in the total number of reports when compared to those received in 2012/13.
- 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 In February 2013, Public Concern at Work launched a Commission to review the effectiveness of whistleblowing in UK workplaces to make recommendations for change. The Commission, which is an independent body made up of industry and academic experts, has made 25 recommendations for improving whistleblowing across UK workplaces.
- 10.15 The primary recommendation is for the Secretary of State to adopt a Code of Practice that could be taken into account in whistleblowing cases before courts and tribunals. The Commission has published a draft Code which sets out clear standards for organisations across all sectors to enable them to have clear whistleblowing arrangements.
- 10.16 Although the code has yet to be adopted, it was considered appropriate to review the existing Cheshire East policy against the standards set down in it. This was completed in the form of a self assessment carried out by Internal Audit with the results presented to the Monitoring Officer for consideration.
- 10.17 The outcome was a confirmation that the existing policy remained valid and that only a small number of minor amendments were required to bring the wording used in line with the latest guidance.
- 10.18 As such the policy has been amended and is presented to Members as **Appendix A** to this report for approval and adoption in accordance with the terms of reference of this Committee.
- 10.19 A list of changes is attached as **Appendix B** to this report. However, in summary, the changes that have been made are as follows:
- References to 'harassment', 'victimisation' and 'reprisals' have been removed and replaced with the word 'detriment' to reflect the recommended wording contained in the code. In addition, a definition of detriment has been included along with examples of what this may constitute.
 - A paragraph has been added that informs staff to report any perceived detriment to the Chief Executive, Monitoring Officer or Audit Manager.
 - The requirement for disclosures to be made 'in good faith' is now a requirement for the person making a disclosure to believe that it is true and in the public interest.

- References to sanctions potentially being taken against employees making malicious or vexatious reports have been removed and replaced with sanctions may be taken against employees who make reports that are knowingly false.
- Out of date job titles and contact details have been updated.
- Additional information relating to feedback to whistleblowers has been included which clarifies that outcomes from disciplinary hearings will not be disclosed.
- Wording advising employees to take further advice prior to making a disclosure outside of the Council has been strengthened to state that they should do so.

10.20 In addition to updating the policy to reflect best practice, it is important to ensure that staff are aware of the policy and feel able to utilise it should the need arise. To this end, a survey to gauge staff awareness of the whistleblowing policy has been devised and will be issued with an accompanying Team Talk article following the adoption of the updated policy document.

10.21 Results and findings from this survey will be reported to Members and used to inform the requirement for publicity to further increase the effectiveness of Cheshire East's whistleblowing 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 WHISTLEBLOWING POLICY

1. INTRODUCTION

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice. Issues of concern may also come to the attention of Members, contractors, suppliers or consultants working for the Council and they too should also feel confident that there are proper procedures in place to enable them to report any areas of concern.
- 1.2 Cheshire East Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees, and others who work with us, with serious concerns about any aspect of the Council's work to come forward and voice those concerns. This policy makes it clear that this can be done without fear of victimisation, discrimination or disadvantage.
- 1.3 This whistleblowing policy is intended to encourage and enable employees, Members and others working for the Council to raise serious concerns **within** the Council rather than overlooking a problem or 'blowing the whistle' outside as premature or unnecessary publicity may damage the Council's reputation, impede proper investigations, or hurt individuals unnecessarily.
- 1.4 The policy applies to all employees, Members, contractors, suppliers and consultants and provides them with a secure basis for reporting suspicions of impropriety, in the knowledge that if requested the matter will be treated confidentially.
- 1.5 The procedures contained within this policy are in addition to the Council's complaints process and any other statutory reporting procedure that applies within individual departments.
- 1.6 This policy has been discussed with the relevant trade unions and has their support.

2. AIMS AND SCOPE OF THIS POLICY

- 2.1 The Whistleblowing Arrangements Code of Practice Publicly Available Specification developed by the British Standards Institute and Public Concern at Work defines whistleblowing as;

The popular term used when someone who works for or in an organisation raises a concern about a possible fraud, crime, danger or

other serious risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation.

- 2.2 Whistleblowing can therefore be described in simple terms as a disclosure made by an employee, Member or third party working for the Council who has concerns about a danger or illegality that has a public interest to it, usually because it threatens others.
- 2.3 A grievance or private complaint is, by contrast, a dispute about an individual's own employment or personal position and has no public interest to it.
- 2.4 This Whistleblowing Policy has been developed in line with best practice as described in the code of practice and aims to:
- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice
 - provide avenues for you to raise those concerns and receive feedback on any action taken
 - provide reassurance that you will be protected from possible detriment if you have a reasonable belief that any disclosure you have made is true.
- 2.5 The whistle-blowing policy is intended to cover major concerns that fall outside the scope of other procedures. These include:
- criminal offences
 - failure to comply with legal obligations
 - miscarriages of justice
 - dangers to health or safety, including risks to the public as well as other employees
 - damage to the environment
 - the unauthorised use of public funds
 - possible fraud and corruption
 - sexual or physical abuse of clients
 - other unethical conduct, or
 - deliberate concealment of any of the above categories
- 2.6 If your concerns relate to your own employment, contractual position or your personal position as an elected member then they do not fall under the scope of this policy and should be raised via the Grievance Procedure or Dignity at Work Policy, under the terms of the contract with the Council or, in the case of an elected Member with either your Group Leader or the Chief Executive.

- 2.7 This policy does not cover members of the public and any report received will be dealt with under the corporate comments, compliments and complaints policy or as a tip off via the Anti Fraud and Corruption Strategy.
- 2.8 Staff in schools should report any concerns that they may have through their school's own whistleblowing policy.

3. SAFEGUARDS

- 3.1 Cheshire East Council is committed to good practice and high standards and wants to be supportive of employees, Members and those contractors, suppliers or consultants who work with the Council.
- 3.2 We recognise that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice.
- 3.3 As a result, we will not tolerate any detrimental treatment (including informal pressures) and will take appropriate action to protect you when you raise a concern that you believe to be true.
- 3.4 Subjecting a worker to a detriment means subjecting the worker to "any disadvantage" because they blew the whistle. This could include (but is not limited to) any of the following:
- failure to promote
 - denial of training
 - closer monitoring
 - ostracism
 - blocking access to resources
 - unrequested re-assignment or re-location
 - demotion
 - suspension
 - disciplinary sanction
 - bullying or harassment
 - victimisation
 - dismissal
 - failure to provide an appropriate reference
 - failing to investigate a subsequent concern
- 3.5 If someone is found to have subjected a bona fide whistleblower to any detriment this will be dealt with under the council's disciplinary procedure or through the Member Code of Conduct as appropriate.

- 3.6 Should you believe that you have suffered a detriment as a result of raising a concern you can report this to any of the officers named in section 8.2 of this policy.
- 3.7 Please be aware however, that should you already be the subject of disciplinary or redundancy procedures, the procedures will not be halted as a result of the whistleblowing report.

4. OPEN DISCLOSURES

- 4.1 The best culture is one where individuals have sufficient faith in the whistleblowing arrangements and culture of the council to allow them the confidence to make open disclosures. This is where those involved know what the issues are along with who raised them.
- 4.2 This is the aim for Cheshire East Council and it is hoped that any individual with a whistleblowing concern will feel able to raise their issues openly.
- 4.3 This openness makes it easier to assess the report, gather additional information and carry out an investigation.
- 4.4 It also allows any hidden agendas to be identified, helps to prevent witch hunts and reduces the risk of mistrust and paranoia developing within the area being investigated.

5. CONFIDENTIALITY

- 5.1 It is, however, recognised that some individuals may not feel that they can make such a report. Where this is the case the policy provides the whistleblower with the option of requesting that their name remains confidential.
- 5.2 Where confidentiality is requested we will do our best to ensure that your name is not revealed. This cannot, however, be guaranteed as there are certain circumstances where the name of the whistleblower may be made known. For example:
- The report is found to be knowingly false or malicious, or
 - Disclosure is ordered by the courts.
 - A formal statement is required as part of a police investigation.
- 5.3 Whilst it is possible to keep the name of a whistleblower confidential, it is not possible to prevent others from trying, often successfully, to work out the source of a report. This can lead to speculation and an unpleasant atmosphere that could have been avoided by making an open disclosure.

6. ANONYMOUS ALLEGATIONS

- 6.1 This policy encourages you to put your name to your allegation whenever possible and actively discourages anonymous reports.
- 6.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 6.3 In exercising this discretion the factors to be taken into account would include:
- the seriousness of the issues raised
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources.
- 6.4 Anonymous reports also raise a specific problem with regard to the legal requirement that personal data should only be collected fairly.
- 6.5 In addition, people making anonymous reports are not covered by the safeguards put in place to protect named whistleblowers.

7. UNTRUE ALLEGATIONS

- 7.1 If you make an allegation that you believe to be true, but it is not confirmed by the investigation, no action will be taken against you.
- 7.2 If, however, you make allegations that you know to be false, then disciplinary action may be taken against you under the Council's procedures or if you are an elected member through appropriate channels including the Member Code of Conduct.

8. HOW TO RAISE A CONCERN

- 8.1 As a first step, if you are a Council employee you should normally raise concerns with your immediate manager or their superior. However, depending upon the seriousness and sensitivity of the issues involved and who is suspected of the malpractice, this may not be appropriate.
- 8.2 Where this is the case the following officers are identified as appropriate contacts within this policy;
- Chief Executive
 - Head of Legal Services, who is also the Monitoring Officer
 - Audit Manager

If you are a Member you may feel it is appropriate to raise the issue initially with your Group Leader or alternatively you may contact the Chief Executive, Monitoring Officer or Audit Manager to raise your concerns. Third parties working for the Council may also raise any concerns with any of these officers

- 8.3 There are two ways to formally make a whistleblowing disclosure;

- Verbally, either face to face or by telephone, or
 - In writing, either by sending a letter to one of the named contacts or by emailing whistleblowing@cheshireeast.gov.uk.
- 8.4 It is preferable for concerns to be raised in writing and where this is the case the following details are requested;
- Your name and contact details
 - background information and history including details as to why you are concerned
 - whether the issue has already been reported to management and the outcome of this
 - whether you wish your name to remain confidential
 - whether you want feedback
 - the names and jobs of any other employees/Members who may support your concern.
- 8.5 Where reports are made verbally to one of the named officers they should attempt to ascertain the same information.
- 8.6 The earlier you express the concern the easier it is to take action.
- 8.7 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 8.8 Should you wish to obtain independent advice in relation to a potential whistleblowing report then Public Concern at Work operate a confidential helpline 02074046609. Further advice and guidance can also be found on their website www.pcaw.co.uk.
- 8.9 You may wish to consider discussing your concern with a colleague first, or if you are an elected member another member or your Group Leader, and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 8.10 You may invite your trade union, professional association representative or a friend, or if you are an elected member another member or your Group Leader, to be present during any meetings or interviews in connection with the concerns you have raised.

9. HOW THE COUNCIL WILL RESPOND

- 9.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

- 9.2 As part of this process contact will be made with you to clarify your concerns and obtain any further information that you may have. You will also be provided with details of who to contact should you require further support.
- 9.3 Where appropriate, the matters raised may:
- be investigated by management, internal audit, or through the disciplinary process
 - be referred to the police
 - be referred to the external auditor
 - form the subject of an independent inquiry.
- 9.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.
- 9.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 9.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the officer will seek further information from you.
- 9.7 Where any meeting is arranged, off-site if you so wish, you can be accompanied by a union or professional association representative or a friend or if you are an elected member by another member or your Group Leader.
- 9.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange you to receive advice about the procedure.
- 9.9 The Council understands that you may wish to be assured that the matter has been properly addressed. Therefore, where possible an estimate of the length of any investigation will be provided and, subject to legal constraints, if requested we will keep you updated at least on a monthly basis during the process and will inform you of the outcome of any investigation. This may include where disciplinary action is taken as a result of an investigation but not details of any sanctions that may be issued.

10. THE RESPONSIBLE OFFICER

- 10.1 The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer will maintain a record of concerns raised and the outcome and will report as necessary to the Council.
- 10.2 If requested the Monitoring Officer will do everything that can lawfully be done to protect your identity but you should be aware that it may need to be disclosed to the police or courts as part of an investigation or subsequent prosecution.

11. HOW THE MATTER CAN BE TAKEN FURTHER

- 11.1 This policy is intended to provide you with an avenue to raise concerns within the Council and it is hoped that you will utilise it. However, should you feel unable to raise your concerns internally, the following are possible alternative contact points:

- Public Concern at Work 020 7404 6609
- the external auditor
- Audit Commission whistleblower's hotline 0303 4448 346
- the police.

- 11.2 It is stressed that this list is not exhaustive and you are free to contact any organisation that you feel will be able to deal properly with your concerns. This may include;

- your solicitor
- other relevant professional or regulatory bodies as prescribed by the Secretary of State

You should, however, take further advice before reporting an issue to a body other than those specified above to ensure that you are making a protected disclosure.

- 11.3 You will be protected under the Public Interest Disclosure Act 1988 if you raise your concerns with any of the above, provided that;

- you believe the disclosure to be in the public interest
- you reasonably believe that the information disclosed, and any allegation contained in it, are substantially true
- you do not make the disclosure for personal gain.

- 11.4 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information.

12. THE LAW

- 12.1 This policy has been written to take into account the Public Interest Disclosure Act 1988, which protects workers making disclosures about

certain matters of concern, where those disclosures are made within the act's provisions. The Act is incorporated into the Employment Rights Act 1996, which already protects employees who take action over, or raise concerns about, health and safety at work.

13. EQUALITY

- 13.1 Cheshire East Council will ensure that, when implementing the Whistleblowing Policy, no employee or individual whistleblower will be disadvantaged on the basis of their gender or transgender, marital status or civil partnership, racial group, religion or belief, sexual orientation, age, disability, pregnancy or maternity, social or economic status or caring responsibility. This means that the Policy may need to be adjusted to cater for the specific needs of an individual including the provision of information in alternative formats where necessary.

14. MONITORING

- 14.1 Data relating to Whistleblowing cases will be collated and monitored regularly to ensure that the Policy is operating fairly, consistently and effectively. Issues that are identified from the data will be dealt with appropriately.

15. REVIEW

- 15.1 The policy will be reviewed in the light of operating experience and/or changes in legislation.

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Amendments to Whistleblowing Policy – June 2014

The following table details the changes made to the Whistleblowing Policy following the review against the Public Concern at Work Whistleblowing Commission draft code of practice:

Paragraph	Amendments
2.4	Reference to 'reprisals and victimisation' replaced with 'detriment'.
2.5	The list of concerns that may fall under the scope of the policy has been expanded in accordance with the draft Code of Practice.
3.3	Reference to 'harassment or victimisation' replaced with 'detrimental treatment'.
3.4	New paragraph inserted defining detriment and providing some examples of what this may constitute.
3.5	Reference to 'harassment or victimisation' replaced with 'detriment'
3.6	New paragraph inserted advising staff on what to do if they feel that they have suffered detriment.
5.2	Replaced 'clearly false or malicious' with 'knowingly false or malicious'.
7.1	Replaced 'in good faith' with 'that you believe to be true'.
7.2	Replaced 'malicious or vexatious' with 'that you know to be false'
8.2	Updated job titles
9.9	Inserted 'where possible, an estimate of the length of any investigation will be provided'. Additional information as to the level of feedback to be provided to whistleblowers.
11.1	Updated the alternative contacts due to changes in telephone numbers and also to reflect those provided in the draft Code of Practice.
11.2	Amended 'you are encouraged to take further advice prior to reporting an issue...' to 'you should take further advice...'
11.3	Replaced 'make the disclosure in good faith' to 'believe the disclosure to be in the public interest'.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 26 June 2014
Report of: Audit Manager
Title: Work Plan 2014/15
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.0 To present a proposed Work Plan for 2014/15 to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:

- § note the Terms of Reference approved by Council on 14 May 2014;
- § consider the Work Plan for 2014/15 and determine any required amendments to enable it to fulfil its terms of reference; and
- § review membership of the specialist Member/Officer Groups.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee has a key role in overseeing and assessing the risk management, control and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to ensure that the Committee fulfils its responsibilities.
- 3.2 Separate specialist Member/Officer groups have been set up to deal with specific areas of the Committee's work. The periodic review of the groups ensures that the Committee continues to work effectively and fulfils its purpose.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Affected

- 5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

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

8.0 Legal Implications (Authorised by the Head of Legal Services)

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

10.0 Background and Options

10.1 Council approved amendments to the Audit and Governance Committee's Terms of Reference in May 2014 following reference to and recommendation from the Constitution Committee. The new Terms of Reference are attached at Appendix A of this report.

10.2 A forward looking programme of meetings and agenda items (Appendix B) and a review of the Member Officer Groups is necessary to ensure that the Committee continues to work effectively and fulfil its purpose.

10.3 Aspects of the Audit and Governance Committee agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda

items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work Plan and establish any amendments that will enable it to meet its responsibilities.

10.2 In order to help with their deliberations, Members are asked to consider whether:

- the inclusion of each item on its agenda results in added value
 - the assurance process has a cost to the organisation and it should therefore be proportional to the risk
 - care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions
- there are any time consuming aspects of Committee business that could be more effectively addressed elsewhere
 - an audit committee should operate at a resolutely strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers
 - the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings

10.3 It should be noted that the Work Plan will be re-submitted to the Committee periodically for further development and approval.

10.4 The Member/Officer Groups were set up in September 2011 to enable individual Members to become more involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise. It was also acknowledged that in order to avoid sometimes lengthy and unproductive Committee meetings the groups would, at the request of the Committee, address some of the more time consuming aspects of its work. The outcome of which would be fed back to the Committee during the relevant Agenda item.

10.5 Traditionally the groups have been made up of at least two Members of the Committee with appropriate support from Officers. The meetings are normally timed in accordance with the Committee's schedule of meetings and membership of the groups is voluntary. As membership of the Audit and Governance Committee has recently changed membership of the specialist groups now requires review.

10.6 The groups are currently made up as follows:

Area	Councillor/s
Audit	Corcoran & Hardy
Corporate Governance & Annual Governance Statement	Wray & Brown
Financial Statements	Corcoran & Hardy
Fraud	Wray, Brown & Roberts
Risk Management	Fletcher & Kolker

11.0 Access to Information

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

Name: Jon Robinson

Designation: Audit Manager

Tel No: 01270 685864

Email: jon.robinson@cheshireeast.gov.uk

Terms of Reference for Audit Committee

Statement of Purpose

- 1 The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- 3 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 4 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 5 It promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

Functions

Governance, Risk and Control

- 6 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 7 To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 8 To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
- 9 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 10 To monitor the effective development and operation of risk management in the council.
- 11 To monitor progress in addressing risk related issues reported to the committee.

- 12 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
- 13 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 14 To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.
- 15 To monitor the counter fraud strategy, actions and resources.
- 16 To advise the Executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.
- 17 To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Internal audit

- 18 To approve the internal audit charter.
- 19 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 20 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 21 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 22 To make appropriate enquiries of both management and the head of internal
- 23 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 24 To consider the head of internal audit's annual report:

a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.

b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

- 25 To consider summaries of specific internal audit reports as requested.
- 26 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 27 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 28 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- 29 To support the development of effective communication with the head of internal audit.
- 30 To review and make recommendations to the Executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

External Audit

- 31 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 32 To consider specific reports as agreed with the external auditor.
- 33 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 34 To commission work from internal and external audit.
- 35 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

- 36 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 37 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- 38 To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

Related functions

- 39 To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 40 To approve and monitor Council policies relating to "whistleblowing" and anti fraud and corruption.
- 41 To seek assurance that customer complaint arrangements are robust.

Standards Arrangements

Current terms as follows but under review by the Council's MO.

1. To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
2. Ensuring that Members receive advice and as appropriate on the Members Code of Conduct
3. Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority

The Committee has appointed three ad-hoc sub-committees/panels as follows:

Initial Assessment Panel

3 Members plus Independent Person. The panel is responsible for:

- Receiving and determining whether to refer for investigation or other appropriate action, any written complaints regarding alleged mis-conduct and

breach of the Code of Conduct by any Borough Councillor or Town or Parish Councillor within Cheshire East.

Local Resolution Panel

3 Members plus Independent Person. The panel is responsible for:

- The hearing and determination of complaints referred to it by the Initial Assessment Panel that there has been a breach of the Code of Conduct by any Borough Councillor or any Town or Parish Councillor within Cheshire East. The panel will act in consultation with the Independent Person.
- Matters may be referred for external investigation should the panel consider it appropriate due to the complexity of the matter or if serious issues emerge.

Hearing Sub-Committee

3 Members plus Independent Person. The sub-committee is responsible for:

- Consideration of the written report of the external investigator in relation to a complaint that a Borough Councillor or Town or Parish Council Member has broken the Code of Conduct and the determination of any appropriate action in consultation with the Independent Person. NB sanctions for Parish Councillors will be referred to the Parish Council.

The memberships of the panels and sub-committee are drawn from a pool of 15 members constituted on a politically proportionate basis, which includes the members of the Audit and Governance Committee.

An Independent Person appointed by Council will be present at any Panel meetings or a meeting of the hearing Sub Committee

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Draft Work Plan June 2014 – March 2015

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
26 June 2014			
Emerging issues Briefing for Cheshire East Council	The emerging issues update is intended to flag areas of interest/development across Local Government and the wider public sector. It poses questions for Members to think about and is shared with Corporate Leadership Board and Portfolio Holders.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Arrangements review of processes for considering complaints that members may have breached the Code of Conduct	Approval of revised arrangements for dealing with standards allegations under the Localism Act 2011.	1	To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
Internal Audit Annual Report 13/14	Opinion on the overall adequacy and effectiveness of the Council's control environment for 13/14	24	To consider the head of internal audit's annual report: a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit. b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk

Draft Work Plan June 2014 – March 2015

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
			management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
Corporate Risk Management Group Annual Report 13/14 & Risk Management Policy Review	Annual Report of the Corporate Risk Management Group, an update of the Risk Management Policy and attendance by a Corporate Risk Owner to explain the mitigation plan for CR15 (Protection of Children and Young People)	10	To monitor the effective development and operation of risk management in the council
Draft Annual Governance Statement (AGS) 13/14	Draft AGS 13/14 for comment/agreement; final version to be approved at September meeting	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
		7	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
Draft Pre-Audit Statement of	This report introduces the 2013/14 pre-audit statement of accounts to the	36	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting

Draft Work Plan June 2014 – March 2015

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Accounts 2013/14	Committee for consideration and comment.		policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
Whistleblowing Policy	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 2013/14	40	To approve and monitor Council policies relating to "whistleblowing" and anti- fraud and corruption
Work Plan	Forward looking programme of meetings and agenda items 2014/15 to ensure comprehensive coverage of the Committee's responsibilities	All	
18 Sept 2014			
External Audit – Audit Findings Report 13/14	Summary of findings from the 13/14 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency & effectiveness in the use of resources.	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
The auditor may also present a short emerging issues update	The emerging issues update is intended to flag areas of interest/development across Local Government and the wider public sector. It poses questions for Members to think about and is shared with Corporate	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
	Leadership Board and Portfolio Holders.		
Value for Money Conclusion	A report from the Council's External Auditors	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
2013/14 Audit Findings and Action Plan	This report sets out the management response to the 2013/14 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee.	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
Statement of Accounts 2013/14 Audited	Approval of the final 13/14 Financial Statements.	36	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
AGS 13/14	AGS 13/14 for approval	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
		7	To review and approve the Annual Governance

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		8	<p>Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.</p> <p>To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements</p>
Annual Report 13/14.	Annual Report of the Chair of the Audit & Governance Committee to Council.	39	To report to full Council on a regular basis on the committee's performance in relation to the terms of reference
		38	<p>To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions</p> <p><i>For a local authority, CIPFA's judgement is that the audit committee should report directly to council, as the council itself most closely matches the body of 'those charged with governance'</i></p>
Annual Report of Government Ombudsman's Annual Corporate	Summary of the complaints received by the Council and also those dealt with by the Local Government Ombudsman about the Council for 13/14.	41	To seek assurance that customer complaint arrangements are robust.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Complaints and Local Review 13/14			
Internal Audit Interim Report	Progress report against the Internal Audit Plan 14/15.	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		21	To approve significant interim changes to the risk-based internal audit plan and resource requirements.
		23	<p>To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:</p> <p>a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note,</p>

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		25	considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. To consider summaries of specific internal audit reports as requested.
Treasury Management Update Report	Update report on Treasury Management.	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Compliance with Contract Procedure Rules	A report setting out the number of non-compliance instances in the previous period, broken down by Service, and a description of exceptional instances		In accordance with the Council's Constitution, Contract Procedure Rule E11, the Committee reviews instances of non compliance with CPRs at least half yearly.
Work Plan	Review of 2014/15 Work Plan to ensure comprehensive coverage of the Committee's responsibilities	All	
20 Nov 2014			
External Audit – Annual Audit Letter 13/14.	Summary of the External Audit findings from 13/14 audit. The letter will also confirm the level of audit fees.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.	31	To consider the external auditor's annual report, relevant reports, and the report to those charged with governance.
Update on	Council's Governance Framework for	6	To review the Council's corporate governance

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Governance Framework and Code of Corporate Governance, 13/14 Action Plan & 14/15 Process	discussion/agreement and approval of updates to Code of Corporate Governance. Progress to date on the 13/14 AGS Action Plan and suggested approach for the 14/15 AGS for approval.	9	arrangements against the good governance framework and consider annual governance reports and assurances. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
Risk Management Update Report	Update report on Risk Management	10	To monitor the effective development and operation of risk management in the council
		11	To monitor progress in addressing risk related issued reported to the committee
Internal Audit Charter	Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standard (PSIAS) 1000	18	To approve the internal audit charter.
Annual Anti Fraud and Corruption Report	Annual review of Anti Fraud and Corruption Policy and arrangements against best practice.	13	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption
		15	To monitor the counter fraud strategy, actions and resources
		40	To approve and monitor Council policies relating to "whistleblowing" and anti- fraud and corruption

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
22 Jan 2015			
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors	31	To consider the external auditor’s annual report, relevant reports, and the report to those charged with governance
External Audit – Certification of Claims & Returns	Annual report on the issues, amendments and qualifications arising from certification work of grant claims and returns.	31	To consider the external auditor’s annual letter, relevant reports, and the report to those charged with governance.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 14/15.	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		21	To approve significant interim changes to the risk-based internal audit plan and resource requirements.
		23	To consider reports from the head of internal audit on internal audit’s performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
			and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
		25	To consider summaries of specific internal audit reports as requested.
Treasury Management Strategy and MRP Statement 2015/16	The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years. The Treasury Management Strategy is also reported to Cabinet before being presented to Full Council for approval.	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Data Protection and Freedom of Information	Update on Data Protection and Freedom of Information issues including volumes of requests and trends.		

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Update			
Compliance with Regulation of Investigatory Powers Act (RIPA)	A report on the Council's compliance with the Regulation of Investigatory Powers Act		
Work Plan	Review of 2014/15 Work Plan to ensure comprehensive coverage of the Committee's responsibilities	All	
19 March 2015			
Informing the Risk Assessment for Cheshire East Council	A report that facilitates compliance with International Standards on Auditing (UK and Ireland).	32	To consider specific reports as agreed with the external auditor.
External Audit – Audit Plan 14/15	External Audit's planned work for the audit of financial statements and the value for money conclusion 14/15	33	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Internal Audit Plan 15/16	Approval of risk based Internal Audit Plan for following year.	20	To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources
Risk Management Update Report	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation	10	To monitor the effective development and operation of risk management in the council
		11	To monitor progress in addressing risk related issued

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
			reported to the committee
Contract Procedure Rules – Waivers	An update on non compliance with Contract Procedure Rules since September 2014		In accordance with the Council's Constitution, Contract Procedure Rule E11, the Committee reviews instances of non compliance with CPRs at least half yearly.
Members Code of Conduct Complaints Update	Update on the number and outcome of complaints	1	To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process	28	To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
Work Plan	Forward looking programme of meetings and agenda items 2015/16 to ensure comprehensive coverage of the Committee's responsibilities	All	
<i>It should be noted that the following item will be presented to the Committee but has not, as yet, been allocated to a specific agenda</i>			
Audit Committee Self Assessment - Update	A report giving an update on the progress of the actions arising from the 2013/14 self assessment.	28	To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations
Emerging Issues Briefing for	This paper provides the Audit and Governance Committee with a summary of	32	To consider specific reports as agreed with the external auditor.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Cheshire East Council	emerging national issues that may be relevant to a unitary council and how such reports are dealt with by the Council.		
<i>The following Terms of Reference may require reports to the Committee in order for it to fulfil its duties.</i>			
		19	To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations
		22	To make appropriate enquiries of both management and the head of internal
		26	To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions
		27	To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years
		29	To support the development of effective communication with the head of internal audit
		34	To commission work from internal and external audit.
<i>The following Terms of Reference may require reports to Cabinet in order for the Committee to fulfil its duties</i>			
		14	To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		16	To advise the Executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.
		30	To review and make recommendations to the Executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.
<i>The following Terms of Reference may require inclusion in the Annual Report or separate reports to Council in order for the Committee to fulfil its duties</i>			
		35	To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
		38	To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions