

Audit and Governance Committee

Agenda

Date: Thursday, 25th June, 2015
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 body in question.

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

E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies

4. **Minutes of Previous meeting** (Pages 1 - 6)

To approve as a correct record the minutes of the meeting held on 25 March 2015.

5. **Introduction to the Work of the Committee** (Pages 7 - 12)

For Members' information the Committee's terms of reference, and those of its sub-committees, as set out in the Constitution, are attached.

6. **External Audit Update Report** (Pages 13 - 30)

To consider an update report from Grant Thornton for the year ending March 2015.

7. **Internal Audit Annual Report 2014/15** (Pages 31 - 54)

To receive the opinion on the overall adequacy and effectiveness of the Council's control environment for 2014/15.

8. **Draft Annual Governance Statement 2014/15** (Pages 55 - 86)

To consider the draft Annual Governance Statement for 2014/15 prior to the final version being considered at the meeting in September.

9. **Pre Audit Statement of Accounts 2014/15**

To consider the pre-audit statement of accounts for 2014/15. (Report to follow.)

10. **Whistleblowing Arrangements** (Pages 87 - 90)

To consider a update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received in 2014/15.

11. **Code of Corporate Governance Review and Update** (Pages 91 - 118)

To review and comment on an update to the Council's Code of Corporate Governance.

12. **Ombudsman Complaints**

To receive a presentation on the process for the review of draft Ombudsman reports prior to publication, to include the findings of the recent investigation into brown wheelie bins.

13. **Work Plan** (Pages 119 - 130)

To consider the future programme of meetings and agenda items for 2015/16 to ensure the comprehensive coverage of the Committee's responsibilities.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 19th March, 2015 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

Councillors B Burkhill, S Corcoran, R Fletcher, M Hardy, A Kolker and L Roberts.

Councillors in attendance;

Councillors K Hickson and B Murphy.

Officers in attendance:

Suzanne Antrobus – Senior Lawyer
Anita Bradley – Head of Legal Services and Monitoring Officer
Lorraine Butcher – Executive Director of Strategic Commissioning
Andrew North – Corporate Manager Audit and Governance
Judith Tench – Head of Corporate Resources and Stewardship
Alex Thompson – Corporate Manager Strategy and Reporting
Cherry Foreman – Democratic Services Officer

External Auditor (Grant Thornton)

Allison Rhodes

51 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D Marren, and John Roberts of Grant Thornton.

52 DECLARATIONS OF INTEREST

There were no declarations of interest.

53 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

54 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting held on 22 January 2015 be approved as a correct record.

55 INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT FOR CHESHIRE EAST COUNCIL

Consideration was given to questions posed by the External Auditor on management processes in respect of fraud, laws and regulations, going concern,

accounting estimates and related party transactions. An appendix to the report detailed the questions, and the answers given by management. The Committee was invited to consider the response, to ensure it was consistent with its understanding, and to make any further comments.

In considering the encouragement of ethical behaviour by employees and contractors it was confirmed that the Code of Conduct was looked at as part of both the staff and Councillor induction process, and that 'Team Talk' was also used to highlight relevant issues.

With reference to the outcome of complaints referred to the Ombudsman it was requested that a report be submitted to a future meeting of the Committee on the process for dealing with the draft response when it was received in any case where fault had been found; this was in order to ensure it was thoroughly reviewed at that stage and that the process included the opportunity for it to be properly debated.

RESOLVED

1. That the report be noted.
2. That a report be submitted to a future meeting of the Committee on the procedure for reviewing the draft response from the Ombudsman if it related to a fault having been found.

56 RISK MANAGEMENT UPDATE REPORT

The Audit and Governance Committee has responsibility for monitoring the effectiveness of the Councils risk management arrangements. A full report on this had been considered at the last meeting at which the Committee had requested that a briefing be given on Public Sector Effort.

Lorraine Butcher attended the meeting and briefed the Committee on this opportunity and the existing controls in place to mitigate risk. It was reported that considerable engagement was underway on a number of work streams within the health and care transformation boards i.e.: Caring Together and Connecting Care, with the aim of providing the best possible services for residents and care of the 'whole person'. Work was continuing on developing governance arrangements to ensure transparency and manage risk, to seek continued improved value from the available resources and to enable individuals to be less reliant on publicly funded services.

The report also detailed the ongoing work of the Corporate Assurance Group which included continuing to monitor the effectiveness of the arrangements by reviewing the corporate risk profile, discussing significant area of operational and project risk and seeking assurance they were managed effectively, following up risks identified by auditors and inspectors and considering new and emerging risks.

RESOLVED

That the report be noted and that Lorraine Butcher be thanked for her presentation.

57 MEMBERS CODE OF CONDUCT STANDARDS REPORT

A report was considered on the numbers and outcomes of complaints under the Code of Conduct for Members between 1 November 2014 and the end of February 2015.

On 17 July 2014 the Council had adopted an amended process for dealing with complaints and any still in progress at that time were dealt with under the procedure in force when it was received. Eleven complaints had been received of which 5 were against a member of Cheshire East Council (CEC) and 6 against a member of a parish/town council; of these no further action was taken on 7, 1 was referred to the Monitoring Officer for informal resolution and 2 for external investigation. One complaint had yet to be completed as further information was awaited. Both of the remaining pre July 2014 complaints had resulted in no further action.

The Committee welcomed the reduced time in which the complaints could now be handled. In response to a request from Members it was agreed that future reports show the decisions separately for CEC and parish/town councils; and also that details be included on the type of complaints received.

RESOLVED

That the report be noted and that future reports be expanded to show the information requested above.

58 AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT

Members were asked to consider the results of the self assessment of the effectiveness of the Committee using CIPFA guidance. A comparison of the 2014 and 2015 self-assessments showed an improvement in performance and this reflected the progress made in implementing actions agreed with Members in 2014.

Attention was drawn to questions 14 and 15 of the self- assessment (briefings/training/core knowledge and skills framework) and it was confirmed that training was to be made mandatory for members of the Committee and also that understanding the skills-set of the Committee would be added to the Work Programme.

With reference to Health and Wellbeing, and the assurance framework for the Council, it was agreed that an item be added to the Committees Work Programme. Consideration would be given to the most appropriate way for it to report to the Committee and how it could best be incorporated into the performance monitoring process.

RESOLVED

1. That the self assessment be noted.
2. That the detailed outcome of the review of internal audit be considered by the Committee as part of the Annual Governance Statement approval process.

3. That the actions arising from the self assessment be endorsed and it be noted that a further report on the progress of these actions be submitted to a future meeting of the Committee.
4. That an item be added to the Work Programme to consider the assurance framework for Health and Wellbeing.

59 ALTERNATIVE SERVICE DELIVERY VEHICLE GOVERNANCE AND STEWARDSHIP

(During discussion of this item Councillors M Hardy and M Kolker declared personal interests by virtue of being on the Board of Everybody Sport and Leisure.)

An update was given on the governance arrangements for the Council's Alternative Service Delivery Vehicles (ASDVs). Articles of Association, Directors' mandates and shareholder agreements were all available as means by which the Cabinet could exercise control over the parent company and regular performance monitoring against each contract was led by the Executive Director of Strategic Commissioning through the Council's client management arrangements.

The Council's overriding principle of governance, stewardship and control arrangements was to be resident and business led and to ensure accountability to residents, service users, businesses and local Councillors. It also had to ensure it used public funds properly and be able to demonstrate value for money. It was intended that the governance arrangements would continue to be reviewed to ensure an appropriate balance between the proper governance and stewardship of public money and innovative new approaches to service delivery.

In discussing contract arrangements concern was expressed at the time it had taken to complete the process with Engine of the North. The Head of Corporate Resources and Stewardship agreed that she would pursue this matter further.

RESOLVED

That the report be noted.

60 DISCLOSURE OF OFFICERS REMUNERATION IN THE STATEMENT OF ACCOUNTS

The Committee considered a report on the disclosure requirements for Officers' remuneration in terms of the financial statements and recommended practice on data transparency.

The report detailed the requirements of the Accounts and Audit (England) Regulations 2011 and details of the 2013/14 disclosure were given. The content of the Council's disclosure had been compared with that of other authorities and it was noted that some chose to limit the disclosure to officers at tier 2; when comparing the disclosure with its nearest statistical neighbours only four out of fourteen reported to tier 3. Details of the proposed disclosure for 2014/15 were also set out; it was comparable to the disclosure in previous years and included officers at tiers 1 to 3.

The report also set out the requirements of the Local Government Transparency Code 2014. It was noted that in order to meet its requirements, and in accordance with the guidance issued by the DCLG, the Council needed to ensure that the information published gave a clear and accurate understanding of the way the workforce was organised and how public money was spent on senior pay and reward.

RESOLVED

That the decision of the Chief Operating Officer to continue to disclose Officers' Remuneration to tier 3 to meet the requirements of the Accounts and Audit (England) 2011 regulations and the Local Government Transparency Code be noted.

61 GRANT THORNTON AUDIT PLAN 2014/15

Consideration was given to the Audit Plan for the year ending 31 March 2015 which set out the work that Grant Thornton would be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money. It was intended that it should be a risk based audit that would focus on those areas where they had identified a risk of material misstatement in the accounts.

RESOLVED

That the Audit plan for 2014/15 be received and noted.

62 INTERNAL AUDIT PLAN 2015/16

The Committee considered a report on the summary Internal Audit Plan for 2015/16. In order to ensure that internal audit resources continued to be focussed on areas where assurance was needed most a wide ranging consultation had taken place with stakeholders including senior management, strategic risk owners and managers, and other assurance providers, in order to establish priorities for audit activity in 2015/16.

RESOLVED

1. That the Summary Internal Audit Plan 2015/16 be approved.
2. That it be noted that a more detailed Internal Audit Plan will be developed and produced in 2015/16 to be discussed and agreed with the relevant Member/Officer group.

63 WORK PLAN 2014/15 AND 2015/2016

Consideration was given to the Committees Work Plan. It was suggested that the following items be added to the Plan as follows: -

Whistleblowing

Procedure for review of draft Ombudsman reports prior to publication, to include a further presentation on the findings of the recent investigation into brown wheelie bins.

RESOLVED

That the additions to the Work Plan, as detailed above, be agreed.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor J Wray (Chairman)

AUDIT AND GOVERNANCE COMMITTEE

10 Members

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

- 42 The Committee is responsible for the Council's standards arrangements which seek to:
1. 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. ensure that Members receive advice and as appropriate on the Members Code of Conduct; and
 3. grant 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.
- 43 Council on 17th July 2014 approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available from the Monitoring Officer.

Hearing Sub-Committee

- 44 The Hearing Sub-committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints under the procedure referred to in paragraph 43. It has 3 members drawn from a cross party panel of 15 members of the Council. An 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.
- 45 The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 25th June 2015
Report of: Chief Operating Officer
Subject/Title: Grant Thornton Audit & Governance Committee Update
Portfolio Holder: Councillor Peter Groves (Finance & Assets)

1.0 Report Summary

- 1.1 The update report from Grant Thornton for the year ended 31st March 2015 is set out in Appendix 1.

2.0 Recommendation

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

3.0 Reasons for Recommendations

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

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None.

7.0 Implications for Rural Communities

- 7.1 None

8.0 Financial Implications (Authorised by the Chief Operating Officer)

- 8.1 The level of fees for the audit work specified by the external auditors was reported to this committee on 19th March 2015 and will be met from within the existing revenue budget.

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

9.1 None.

10.0 Risk Management

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

11.0 Background and Options

11.1 Grant Thornton has been appointed as the Council's independent external auditors by the Audit Commission. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.

11.2 The report provides members of the Committee with an update on progress of the external audit; it also includes a summary of emerging national issues and developments relevant to the Council.

11.3 Grant Thornton completed an interim audit in the period January – March and the results of their work are set out in page 8 and 9 of the report.

11.4 The report also provides an update on progress to date on the final accounts audit and Value for Money conclusion.

11.5 Grant Thornton will be attending the meeting to answer any questions raised by members on the report.

12.0 Access to Information

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

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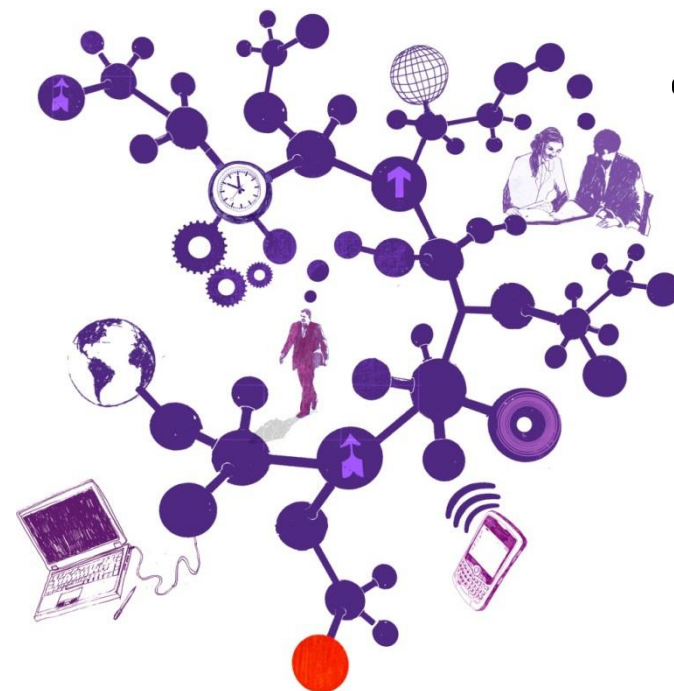
Audit and Governance Committee Update for Cheshire East Council

Year ended 31 March 2015

June 2015

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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 a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments relevant to you.

Members of the Audit and Governance 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: local authority trading companies (LATC) report 2015
- Easing the burden - insight into the impact of welfare reform on local authorities
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government - summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision - exploring finance and policy future for English local government
- Where growth happens - on the nature of growth and dynamism across England.

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 Manager.

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Progress at June 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts audit plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014/15 financial statements.</p>	January – February 2015	Yes	We reported the audit plan to the March meeting of the Audit and Governance Committee.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial work on the Value for Money conclusion. 	January – March 2015	Yes	The results of interim audit work are set out at page 8.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Council's accounts. 	July – September 2015	Not yet due	<p>We have met with key finance staff to discuss the timetable and requirements for the audit of the financial statements.</p> <p>The draft accounts are due to be presented for audit at the end of June 2015.</p>

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion considers whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness 	By September 2015	Not yet due	<p>The work to assess the Council's arrangements in 2014/15 that result in the financial and service performance outcomes for the year, is underway.</p> <p>The final VfM conclusion is issued at the conclusion of the final accounts audit in September.</p>
<p>Other areas of work</p> <p>The only grant claim to be certified for 2014/15, under the existing Audit Commission framework is the housing benefits subsidy claim.</p>	By November 2015	Not yet due	The Council has prepared the draft claim for housing benefits subsidy and the initial audit testing is underway.
<p>Non audit services</p> <p>The Council commissioned our services to prepare and facilitate a workshop in relation to the development of Alternative Service Delivery Models with the corporate management team.</p>	March 2015	Yes	<p>This engagement is separate from our duties and responsibilities as your external auditor.</p> <p>We have considered and concluded that this non-audit service does not present a threat to the independence of our current and future audits of the financial statements or the VFM conclusion.</p>

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>Supporting Members development - we provided our external audit perspective on the features of an effective audit committee.</p>	<p>September 2014 November 2014 June 2015</p>	<p>Yes</p>	
<p>Technical accounting developments:</p> <ul style="list-style-type: none"> We invited finance staff to attend our workshops on the changes on accounting for maintained schools and infrastructure assets. We shared our local authority briefing paper – on changes to the Code for 2014/15. We provided workshops in partnership with CIPFA FAN for finance staff covering the key issues affecting the preparation of the 2014/15 statement of accounts and the audit issues that need to be considered. Representatives from the corporate finance team and the Cheshire East companies attended our tax forum event which explored aspects of employment tax, VAT, corporate tax and stamp duty, focusing on the challenges relevant to local authorities and treatments under different types of alternative delivery models. 	<p>November 2014 November 2014 February 2015 May 2015</p>	<p>On-going</p>	<p>In addition to our events, we have met with your finance staff to discuss complex and emerging accounting issues.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below. Any further matters arising will be included in the Audit Findings Report at the conclusion of the audit.

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>As the Council uses Oracle which is an inherently complex financial system, our information systems specialists have completed a review of the controls operating in the Council's Oracle based IT systems, liaising with the Council's service provider – CoSocius.</p> <p>We also performed a high level review of the general IT control environment (as part of the overall review of the internal controls system) and followed up the issues that were raised last year.</p>	<p>The detailed work is complete and we have shared our findings with the Council. We will consider if the results identify any significant weakness that impact on our approach to the audit of the financial statements. Our findings will be included in the Audit Findings Report at the conclusion of the audit.</p> <p>The Council have appropriately implemented the recommendations made in the previous year.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We have liaised with finance staff to ensure that a complete and accurate schedule of all the journals transactions for the year is generated. We analyse this data using relevant parameters to focus on unusual transactions for audit testing.</p>	<p>Our detailed testing of journal transaction will be completed at the final accounts audit.</p>
Early substantive testing	<p>We have tested a sample of transactions in the following areas:</p> <ul style="list-style-type: none"> - employee remuneration payments for the period to December 2014 - operating expenses payments for the period to December 2014 - other revenue (this excludes council tax or non domestic rates) for the period to December 2014 - existence of property, plant and equipment. <p>We have reviewed a bank reconciliation completed during the year.</p> <p>We have discussed the proposed accounting entries and related disclosures derived from the PFI accounting models.</p> <p>We have considered the Council's initial assessment of the application of the new accounting standards for group accounts and discussed this with finance staff.</p>	<p>Our initial testing has identified no significant issues.</p> <p>We will extend our testing for the remainder of the year as part of the audit of the financial statements. The work will inform our approach to the audit of the Council's accounts and contribute to the assurance for material items.</p> <p>We also examine the bank reconciliation at the year end.</p> <p>We will examine the financial statements to ensure that these reflect the expected accounting entries and disclosures, supported by the accounting model.</p> <p>We will review the resultant accounting entries and the supporting evidence for group accounts as part of our audit of the financial statements.</p>

The Queen's Speech 2015 – what it means for local government

Local government issues

The Queen's Speech was presented to Parliament on 27th May 2015 and set out the new government's policies and proposed legislative programme for the next parliamentary session. There are a range of proposals impacting on local government, including:

- A Cities and Local Government Devolution Bill aimed at boosting growth and increasing local government productivity and efficiency. It will provide the legislative framework to deliver the Greater Manchester deal and other future deals. The provisions of the bill will be applied to specified combined authorities and their areas, led by an elected mayor.
- A Housing bill extending right to buy legislation to housing associations and requiring local authorities to dispose of high-value vacant council houses. This bill will also introduce measures to simplify and speed up the neighbourhood planning system other changes to housing and planning legislation to support housing growth.
- An Education and Adoption bill that aims to speed up intervention in failing schools and requires inadequate, and coasting schools to become academies. It is also planned to introduce regional adoption agencies, working across local authority boundaries to reduce delays in the adoption system.

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from the new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

2014/15 Accounts

Accounting and audit issues

As part of our audit of local authorities' 2014/15 accounts we will be considering the following issues:

Accounting for schools – in particular the judgements made on whether to include non current assets for voluntary aided and voluntary controlled schools on the Council's balance sheet.

Group accounting standards – the application of the new accounting standards which affect how local authorities account for services delivered through other entities such as subsidiaries, associates and joint working with other partners.

Provisions for business rates appeals – how authorities have estimated their provision, taking into account the change in rules which limits how far the changes may be backdated.

Inclusion of overtime in the calculation of holiday pay – the Employment Appeal Tribunal reached a judgement on the extent to which overtime pay should be included in the calculation of holiday pay. We will consider how authorities have assessed the impact of this and where this is likely to be material, whether they include an appropriate provision in their 2014/15 accounts.

Welfare Reform Review: Easing the burden

Grant Thornton

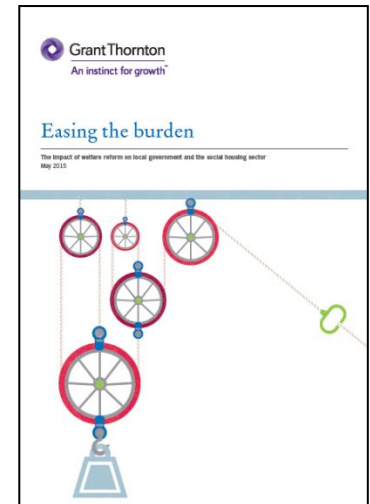
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact. The Council contributed to the research for this review.

The key messages from this national review include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Spreading their wings: Building a successful local authority trading company

Grant Thornton

Our report, 'spreading your wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

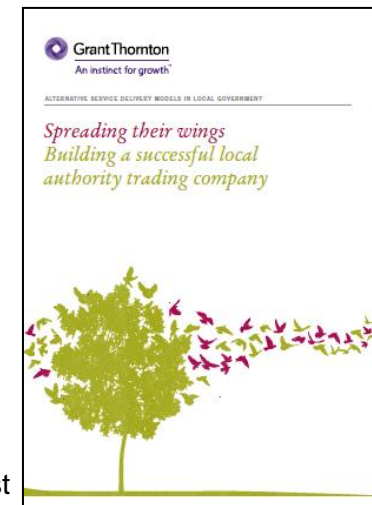
The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs (including contributions from Cheshire East Council and its companies), and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

Hard copies of our report are available from your Engagement Lead or Audit Manager.





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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 25th June 2015
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Annual Report 2014/15
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

1.1 This report provides the Audit and Governance Committee with the Corporate Manager Governance and Audit's opinion on the overall adequacy and effectiveness of the Council's control environment for 2014/15. The report is timed to support the Annual Governance Statement (AGS).

2.0 Recommendation

2.1 That the Committee:

- i) Note and consider the contents of the Internal Audit Annual Report 2014/15;
- ii) Note the Corporate Manager Governance and Audit opinion on the Council's framework for 2014/15.

3.0 Reasons for Recommendation

3.1 The Public Sector Internal Audit Standards (PSIAS) require the Corporate Manager Governance and Audit to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement.

3.2 The Accounts and Audit Regulations 2011 require local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review is intended to provide members with a basis for determining the extent to which reliance can be placed on the internal audit opinion.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

7.1 The Internal Audit team must be appropriately resourced to comply with statutory and best practice requirements.

8.0 Legal Implications

- 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 framework of governance, risk management and control i.e. the control environment.

11.0 Access to information

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

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Internal Audit Annual Report 2014-2015

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Internal Audit Annual Report 2014/15

1 Introduction

1.1 From 1 April 2013, the Public Sector Internal Audit Standards (**PSIAS**) and accompanying Local Government Application Note became the standards by which all Local Government Internal Audit Sections must comply.

1.2 This is, in accordance with the standards, the Corporate Manager Governance and Audit's annual report. It is timed to support the Council's Annual Governance Statement (AGS) and will be presented to the audit and governance committee on the 25 June 2015. The report includes the following Public Sector requirements set out in PSIAS 2450:

- an annual internal audit opinion on the overall adequacy and effectiveness of the Council'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 The report also includes the following mandatory elements of the Institute of Internal Auditors (IIA)

International Professional Practices Framework (IPPF) set out in PSIAS 2450:

- disclosure of any qualifications to that opinion, together with reasons;
- 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 targets;
- any issues the Corporate Manager Governance and Audit judges particularly relevant to the preparation of the annual governance statement; and
- progress against any improvement plans resulting from any QAIP external assessment.

2 Background to the annual internal audit opinion

2.1 Like much of the public sector the Council continues to face on-going and unprecedented financial and service delivery challenges. During 2014/15 the Council continued its journey to develop 'Best Fit' solutions for service delivery. This included setting up 7 new Alternative Service Delivery Vehicles (ASDVs) as part of the remodelling of services that provide the best possible outcomes for the residents of Cheshire East.

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2.2 The scale and change of pace is unprecedented and is not without risk. The Council's governance processes have continued to develop to ensure that change is managed in a structured and co-ordinated manner with risks identified and mitigated and reviewed regularly.

2.3 For 2014/15 the Council agreed an additional outcome to ensure that it was able to monitor and demonstrate its proper governance and stewardship of public money. Outcome 6 is summarised as a "A Responsible, Effective and Efficient Organisation" through;

- efficient Use of Assets;
- effective Processes;
- enhanced Leadership and Governance; and
- effective Financial Control.

Throughout 2014/15 this new outcome has been included in the Council's regular performance reports. Whilst these reports are not subject to any detailed internal audit review, they are an important part of the Council's performance management arrangements.

2.4 Internal audit plays a vital part in:

- advising the Council that these performance management arrangements are in place and operating properly; and

- where audit does not consider this to be the case prompting Management to take action to ensure any shortcomings are rectified promptly.

2.5 The Council's response to internal audit activity should, therefore, lead to ensuring that the governance, risk and system controls (the control environment) are robust and assist the Council in achieving its objectives.

2.6 The provision of assurance is the primary role for internal audit. It requires Internal Audit to provide:

- engagement opinions - an opinion on the risk and controls of the area under review
- an annual overall opinion - the professional judgement of the Corporate Manager Governance and Audit,. This is based upon the adequacy and effectiveness of the Council's framework of governance, risk management and control as evidenced by individual engagements and other activities including project health checks and anti fraud and corruption work.

2.7 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. The provision of assurance is never absolute because it is impossible to examine every

Internal Audit Annual Report 2014/15

activity and every transaction as any audit review is at a point in time. Internal Audit provides reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been or are being addressed.

3 Internal audit opinion 2014/15

- 3.1 The Council continues to make changes to its organisational structures and ways of working in a number of services as the scale of the Council's transformation programme increased, as part of the agenda to become a commissioning Council and to achieve its savings proposals. This has increased the challenges to the internal control environment with changes to staffing structures and delivery models.
- 3.2 Our work has confirmed that adequate management arrangements are in place to ensure that services are being delivered and agreed savings proposals are being realised. Findings are delivered through formal audit reports and action plans and this is complimented by regular meetings with departmental management teams to provide updates on audit, internal control, risk and governance issues as well as a programme of recommendation follow ups.

Corporate Manager Governance and Audit opinion on the Council's control environment.

The Council's framework of risk management, control and governance is assessed as adequate for 2014/15.

On the basis of our programme for the year, I can provide assurance that there is a generally sound system of internal control adequately designed to meet the Council's objectives and key controls are generally being applied consistently.

However some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk in some of the minor systems we have reviewed this year. I note the positive engagement with Management in working towards the implementation of specific recommendations. All of the issues raised by internal during the year have been discussed with the relevant service management teams and with senior management.

Action plans have been agreed and recommendations are being implemented. We will follow up our findings during the course of 2015/16 and, where appropriate, provide support to management to develop and implement solutions to the control issues identified.

This opinion is based upon:

- the programme of internal audit reviews - including opinion based work undertaken during the year;

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- Management's response to advice and recommendations;
- the process of producing the Council's annual governance statement; and
- the Council's Risk Maturity Assessment.

4 Summary of Audit Work 2014/15

- 4.1 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 Corporate Manager Governance and Audit to provide an independent and objective opinion to the Council on the control environment; and
 - audit activity focuses on areas where assurance is most needed i.e. risk based coverage.
- 4.2 In preparing the risk based plan for 2014/15 Internal Audit consulted with the Corporate Leadership Board and the Audit and Governance Committee. They also considered:
- 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.

- 4.3 The plan was broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and inform the annual Internal Audit Opinion; and
 - work that will not deliver an opinion report but helps inform the Annual Internal Audit Opinion, for example project health checks, audit of statutory returns and advice and assistance work.
- 4.4 The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Significant changes are communicated to both the Corporate Leadership Board and the Audit and Governance Committee.
- 4.5 During 2014/15, interim reports on progress against the Internal Audit Plan were regularly brought to this Committee. A summary comparison of the 2014/15 Audit Plan with actuals for the year is shown on page 6.
- 4.6 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 7.

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Summary Comparison of Audit Plan 2014/15 and Actuals

Area of Plan		Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1450		1428		Reflects the revised resource position (see para 4.5).
Less: Corporate Work		(70)		(76)		Executive Monitoring Board(EMB) Performance Development Reviews, Next Generation Desktop roll out, FOI requests
Available Audit Days:		1380	100%	1352	100%	
Corporate Governance and Risk Management		380	27%	340	25%	Support to A & G Committees including Member /Officer Groups production of assurance reports. Leading the AGS process including reporting. Includes Operational risk management.
Anti-Fraud and Corruption	Proactive Reviews	80	6%	132	10%	Unforeseen work when drafting the plan including; extra work on National Fraud Initiative (NFI) and a successful bid to the Counter Fraud Fund.
	Reactive Investigations	50	4%	87	7%	Reactive investigation work agreed with senior officers and members.
Chief Operating Officer (COO)	Key Financial Systems	195	14%	241	18%	Original budget for schools audit work proved insufficient.
	Corporate Core & Cross Service	190	13%	190	14%	FOI, Healthchecks, Business Continuity etc.
Strategic Commissioning	Children's Social Care & Education	75	6%	27	2%	Budget for planned thematic work on schools used to support Schools Financial Value Standard (SFVS) audits included in key financial systems.
	Adult's Social Care	95	7%	62	5%	Work commenced in 4th quarter and continuing into 15/16.
	Public Health	40	3%	18	1%	
	Communities	20	1%	14	1%	
Economic Growth & Prosperity		75	6%	71	5%	
Providing Assurance to External Organisations		75	6%	87	6%	Includes PATROL, LEP, Cosocious, Orbitas
Advice & Guidance		60	4%	53	4%	
Other Chargeable Work		45	3%	30	2%	Included follow up, Grant Certification (various).
Contingency		-	-	-	-	No contingency was planned.
Total Audit Days		1380	100%	1352	100%	

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Summary of Audit Work to support the overall opinion

Area of Plan	Description of Audit Work	Output
Assurance Work (para 4.7)	Audits with formal assurance level (included in COO, Strategic Commissioning, Economic Growth & Pro Active Reviews).	Audit Reports
Schools (included in key financial systems) (para 4.24)	Assessment against Schools Financial Value Standard.	Audit Reports
Project Health Checks (included in corporate core & cross service) (para 4.29)	Assessment of whether the required elements to deliver projects successfully are in place and operating effectively.	Audit Reports
Corporate Governance and Risk Management (para 4.32 & 4.34)	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 the Corporate Governance Group and latterly Corporate Assurance Group (CAG).	Reports to CAG and the Corporate Leadership Board
	Support and contribution to overall assurance e.g. AGS Action Plan, Compliance with Contract Procedure Rules reports.	Report to Audit & Governance Committee
	Support and Contribution to the Corporate Risk Management Group and latterly CAG including update reports. Operational risk management from July 2014.	Reports to CMRG, CAG, CLB and Audit & Governance Committee
	Support and contribution to Technical Enabler Group (TEG) and the Executive Monitoring Board (EMB).	Gateway Progress Report detailing TEG Outcome for use by EMB.
Anti- Fraud and Corruption (para 4.40)	Review of Anti-Fraud and Corruption and Whistleblowing arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Update reports to Corporate Assurance Group /Investigation Reports.
	Investigations that can inform opinion and IA work programme	Investigation Reports
Advice & Guidance (4.47)	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Other Chargeable Work (para 4.48)	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.	Follow up reports/action plans/Key Corporate Indicator

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Assurance Work

4.7 Given the maturity and effectiveness of the Council’s key financial and significant systems the Internal Audit plan is increasingly focussed on those areas of potential increased risk and includes areas where issues are known or service managers expect to exist. This means audit activity is now aimed at areas where assurance is needed most. Clearly this approach adds value to the Council, but, by its nature, may also result in a higher number of limited assurance reports and a lower overall assurance level. This is to be expected and does not detract from an overall level of good internal control.

Summary of reports by assurance level

Assurance Level	Full year to 2014/15 Audit Reports	Full Year 2013/14 Audit Reports
Good	2	2
Satisfactory	7	5
Limited	11	16
No	0	0

Note: includes assurance levels on Project Health checks. Implementation of these recommendations is monitored by Executive Monitoring Board (EMB) (see 4.29 – 4.31)

4.8 These assurance levels reported include a combination of opinions at a broad level for the Council as a whole

and opinions on individual business processes or activities within a single department or location. An explanation of the various assurance levels is given in appendix B.

4.9 All actions from these audits have been, or are currently being, agreed with management and progress on implementation is monitored through normal processes. The issues arising from audit activity and the implementation of associated recommendations has been considered as part of the 2014-15 Annual Governance Statement process.

Limited Assurance Reports

4.10 A brief summary of the audit reports that relate to work undertaken in the last six months of 2014/15 is shown below. Further detail is provided on those audits with limited assurance during the period. The summary of audit reviews undertaken in the first six months of 2014/15 was included in the interim report to this Committee in November 2014.

4.11 In each case a number of recommendations have been made and departments have agreed to prompt implementation. This will address the identified weaknesses and improve the control environment and service area.

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Summary of Assurance Reports October 14 – March 15

Audit Report	Driver/ Background	Assurance Level¹	Management Response
NDR Billing Reconciliation	Key Financial System	Good	All actions agreed. Final report issued.
Council Tax Billing Reconciliation	Key Financial System	Good	All actions agreed. Final report issued.
NDR 2014/15	Key Financial System	Satisfactory	All actions agreed. Final report issued.
Council Tax 2014/15	Key Financial System	Satisfactory	All actions agreed. Final report issued
Treasury Management	Key Financial System	Satisfactory	All actions agreed. Final report issued
Emergency AssistanCE	Key departmental and service risk.	Limited	All actions agreed. Final report issued.
Management of Corporate Appointeeships	Key departmental and service risk.	Limited	All actions agreed. Final report issued.
Taxi Licensing	Requested by Head of Communities as viewed as high risk area	Limited	All actions agreed. Final report issued.
Procurement over £5k	Request from CLB	Limited	Draft Report issued

¹ For Key to assurance level see Page 11.

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- 4.12 **Emergency Assistance** – this audit reviewed the scheme introduced by Cheshire East Council following the changes to the Social Fund by the Department for Work and Pensions (DWP) from April 2013. Following the abolition of Community Care Grants and Crisis Loans, the Council has developed this policy to provide support for the most vulnerable facing immediate short-term needs in an emergency or as a consequence of a disaster, to prevent a serious risk to the health and safety of themselves or their family.
- 4.13 The audit confirmed that the Council needs to further develop its commissioning strategy that includes clear guidance on awarding grants and contracts that meet central government’s social value requirements and also capture and reflect the voluntary community faith framework.
- 4.14 The action plan has been agreed with the relevant senior officers and all high and medium recommendations have been implemented at the date of this report.
- 4.15 **Management of corporate appointeeships** - The Council provides an appointeeship service for service users who lack capacity to manage their own finances. It covers managing and accounting for the receipt of benefits, the payment of bills and providing personal allowances. A new arrangement for the provision of this service was set up in 2014 with the establishment of a new Barclays bank account and use of an on-line management facility linked to the account.
- 4.16 The audit recommended that documentation and evidencing of key assessments and reviews need to be improved. These include better evidencing of the appropriateness of the Council acting and continuing to act as appointee.
- 4.17 The action plan has been agreed with the relevant senior officers and all high and medium recommendations have been implemented at the date of this report.
- 4.18 **Taxi Licensing** - The review was requested by the Head of Communities. The purpose of the audit was to obtain assurance as to the effectiveness of the Taxi Licensing policy and practice, following on from an externally commissioned review that highlighted some concerns.
- 4.19 The audit concluded that there was a lack of a consolidated taxi licensing policy to stipulate conditions for license holders. There was also an inconsistent level of detail recorded on the licensing system in relation to drivers and operators and no formally documented inter-authority protocol for data and intelligence sharing with neighbouring authorities.
- 4.20 The department agreed the action plan promptly and to implement the recommendations. The audit will be followed

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up during the first part of 2015/16. The Head of Communities has also commissioned some support from the Council's Business Improvement team and a national lead on policy development. All high and medium recommendations have been implemented, since the completion of the audit.

- 4.21 **Procurement over £5k** – the audit reviewed procurement data input to the oracle system to ensure that;
- Spending was for the authorised item;
 - Payment was to the right person at the right time;
 - Costs are within the intended budget;
 - Authorisation was appropriate for the transaction; and
 - Published material is understandable for all users.
- 4.22 The audit review highlighted that governance and control of procurement transactions continues to be developed. This includes work on Schemes of Financial Delegation and to ensure they are up to date and that Purchase Orders in oracle are approved by the relevant service budget holder.
- 4.23 The action plan is currently being agreed with the relevant senior officers. Internal Audit will follow up progress of all high and medium recommendations to confirm implementation.

Schools

- 4.24 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.
- 4.25 The 2014/15 Schools Audit Programme included risk based audit visits to seven schools. Two Secondary Schools were subject to full 'Keeping Your Balance' audits and Schools Financial Value Standard (SFVS) audits were carried out at 5 Primary Schools.
- 4.26 The schools subject to audit were selected using a risk assessment which took into account the following:
- Ofsted rating;
 - Size of school (number of pupils);
 - Budget management;
 - Recent audit reports;
 - School buildings projects; and

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- Internal knowledge provided by the School Finance Team.

- 4.27 Individual audit reports were issued to the Headteacher and Chair of Governors of each school along with a detailed action plan to enable the school to improve its control environment.
- 4.28 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.

Project Health Checks

- 4.29 Under the Constitution, the Executive Monitoring Board (EMB) takes on a challenge role at a strategic level in monitoring the delivery of projects and programmes. To assist them with this process EMB has commissioned Internal Audit to undertake a series of “health checks” on specific projects/programmes and issues. The project health check process 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.

- 4.30 The results of assessments undertaken in the first half of the year were reported to the Audit and Governance Committee in November 2014. The findings of these health checks have informed an action plan which is being used by the Corporate Programme Management Office (PMO) to support the on-going development of the Council’s programme and project management framework.
- 4.31 During the final quarter of 2014/15 work commenced on obtaining assurance that the PMO action plan is being effectively implemented.

Supporting Corporate Governance

- 4.32 In accordance with Regulation 4 of the Accounts and Audit (England) Regulations 2011 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).
- 4.33 Internal Audit has assisted Management in the production of the Council’s AGS for 2014/15 by:

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- collecting evidence for and production of the draft 2014/15 Annual Governance Statement;
- contribution to and production of Audit & Governance Committee reports on Corporate Governance;
- representation on and contribution to the Corporate Governance Group (CGG) and latterly the Corporate Assurance Group (CAG) to advise on risk management, control, and governance issues identified through audit work; and
- Audit work in contribution to and production of CGG and CAG reports to Corporate Leadership Board.

Risk Management

4.34 During the first half of the year Internal Audit assisted in the Management of Risk through:

- Delivery of a risk based audit plan; and
- Representation on and contribution to the Corporate Risk Management Group (CRMG) - to advise on risk management, control, and governance issues identified through audit work.

4.35 There were a number of significant developments in Risk Management arrangements later in the year:

- responsibility for monitoring and facilitating the implementation of effective risk management practices and reporting risk-related information up and down the organisation passed to Internal Audit;
- in order to provide a high level focus on risk management, control and governance arrangements in an efficient and cost effective manner the Corporate Governance and Risk Management Groups merged in November 2014 to become the Corporate Assurance Group (CAG); and
- the Corporate Manager Governance and Audit, appointed in December 2014, assumed responsibility for managing the corporate Risk Management function.²

4.36 Terms of Reference and membership need to be finalised and a comprehensive work programme developed to ensure that the CAG fulfils its responsibilities. These include:

- helping deliver best practice in governance and risk management with strong controls embedded in the Council's regular business routines;

² In order to maintain independence and objectivity in line with the PSIAS any assurance activity in areas where the Corporate Manager Audit and Governance has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Head of Corporate Resources and Stewardship.

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- assurance regarding the robustness of the risk management approach; this includes ensuring that all risk activities/disciplines are integrated into corporate governance processes;
- overseeing the risk maturity assessment and monitoring progress on associated improvement plans; and
- ensuring that the Annual Governance Statement (AGS) is an adequate reflection of the risk environment.

The Council's risk maturity assessment

4.37 We reported to the January 2015 to the Audit and Governance Committee that the Council has been assessed as between risk aware³ and risk⁴ defined with Cabinet setting a target minimum standard of risk managed⁵. Planned work to move the Council towards the minimum target standard has commenced including:

- Revising the Risk Management Policy to provide greater clarity;
- Ensuring that risk management is fully integrated with the Service Planning process;

³Scattered silo based approach to risk management using standalone processes, reactive approach.

⁴Risk appetite defined. Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers

⁵Enterprise approach to risk management developed and communicated, risk embedded in key processes. Active engagement and risk based decision making.

- Improving guidance material to support those tasked with identifying and managing risks on behalf of the Council, this includes the risk management section in published reports; and
- ensuring changes are underpinned through the induction process and by new learning and development opportunities.

Corporate Risk Register

4.38 Internal Audit has also commenced work on a comprehensive review of the Council's Corporate Risk Register which will include CAG and Risk Managers and Owners. The outcomes of this review will form the basis of discussion with Corporate Leadership Board and Cabinet, and an agreed Corporate Risk Register for 2015/16 and beyond.

Technical Enabler Group (TEG)

4.39 In addition to the Project Health Check work outlined above, Internal Audit also sits on the Technical Enabler Group (TEG) which supports EMB. TEG comprises senior officers representing key corporate enablers. They review major projects providing professional advice and challenge. It provides detailed feedback to project managers and owners.

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This is also summarised for EMB. In 2015/15 its workplan included major projects such as Congleton Lifestyle centre, Connecting Cheshire phase 2 and the schools' capital programme.

Counter Fraud

- 4.40 Internal Audit has, throughout the year, carried out a small number of investigations in association with Human Resources colleagues and action has been taken in accordance with the appropriate policies. There are no significant issues arising from this work to bring to the attention of the Committee.
- 4.41 Internal Audit worked closely with colleagues from Cheshire West & Chester, Halton and Warrington Councils to develop a collaborative Counter Fraud Fund bid. This bid, entitled Fighting Fraud in Cheshire, was successful and a new Counter Fraud Analyst was appointed in March 2015 by Warrington Borough Council.
- 4.42 The Analyst will be responsible for proactive work across the four Cheshire authorities to identify and prevent fraud in high risk areas. Initially the focus will be on procurement fraud and insurance fraud.
- 4.43 In addition, the Council was also part of the bid led by the London Borough of Bromley to develop a smart phone app to raise awareness of fraud and provide an accessible way of reporting concerns. Development of the app is now underway and it is expected to be released during quarter 1 of 2015/16.
- 4.44 The biennial National Fraud Initiative (NFI) data matching exercise took place during the year. Internal Audit successfully coordinated the extract and upload of data sets in October 2014 in accordance with the Audit Commission timetable.
- 4.45 Internal Audit also coordinated an additional match of Council Tax data against the Electoral Roll in December 2014 to identify single person's discount fraud. The results of the matches from both exercises were released during January 2015 and investigations have commenced within the appropriate services to identify fraud and error.
- 4.46 The administration of the NFI data collection has now become the responsibility of the Cabinet Office, following the demise of the Audit Commission at the end of March 2015.

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Consultancy and Advice

4.47 During the year, Internal Audit provided advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the Head of Audit's overall opinion. This year advice was given on audit procedures within schools, the application of Finance & Contract Procedure Rules and projects and programmes.

Statutory Returns/Grant Claims

4.48 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 2014/15 this has included work on the Care Bill, the Adoption Reform Grant and Cheshire East Council's Family Focus programme. There were no significant amendments to the grant claims as a result of the audits.

Implementation of Audit Recommendations

4.49 Throughout 2014/15, Internal Audit has continued to carry out 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;
- 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; and
- Formal assurance audits (see 4.7 – 4.11).

4.50 Audits with limited 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.

4.51 Internal Audit also report on the implementation of audit recommendations within timescale. This is now a key indicator contributing to the Council's Outcome 6: 'A Responsible, Effective and Efficient Organisation.

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2014/15 implementation of agreed recommendations

On time	After the agreed date	Total implemented	In progress, part implemented or overdue
2014/15 ⁶			
26%	46%	72%	28%
2013/14 ⁷			
27%	54%	81%	19%

4.52 The indicator shows that a high percentage of recommendations continue to be implemented. However too are implemented beyond the agreed timescale. Internal audit continues to work with senior managers to understand the reasons for any delays.

4.53 Common themes that led to delays included:

- the ownership of actions. Structural changes mean that actions now rest with different managers not involved in the original audit work. In most cases there is no formal handover of actions when a manager leaves the

⁶ Excludes actions agreed but not yet due for implementation as at 1 April 2015

⁷ Revised to take account of actions that were not due for implementation as at 01.04.14

authority or moves to a different role. We have agreed to meet with the new manager to agree the implementation arrangements; and

- Actions linked to changes in processes beyond the direct control of an individual manager. These then take time, particularly where system change is needed.

4.54 In some cases the scale of change now means that the original recommendation is no longer appropriate. In these circumstances Internal Audit liaises with managers to agree a more appropriate action.

4.55 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 senior managers to improve this important indicator, by:

- Keeping the Consolidated Action Plan, summarising outstanding recommendations, up to date providing regular performance reporting to CAG and Corporate Leadership Board; and
- Escalating common themes or emerging patterns in relation to agreed recommendations (high and medium rated) that are not being progressed, to the COO, CAG and CLB as necessary.

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Ongoing Work

4.56 The following audits commenced during 2014/15 of the year, with work ongoing in the first quarter of 2015/16:

- Schools Audits consolidated report – Assurance to S151 Officer;
- Salary Overpayments; and
- 16+ Care Leavers.

Reliance placed on the work of other assurance bodies

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

5 Annual Governance Statement

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. Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the Annual Governance Statement, (AGS).

5.2 The findings and opinions of 2014/15 Internal Audit work has been considered in preparing the 2014/15 AGS.

5.3 The Council's assessment of its governance arrangements in 2014/15 has not identified any significant governance issues. The AGS does however identify a small number of areas that will be reviewed on an on-going basis during 2015/16. It also acknowledges emerging governance issues for the Council. These will be monitored by the Corporate Assurance Group during 2015/16. They will be escalated, if necessary, to the Corporate Leadership Board, Audit and Governance Committee and/or Cabinet.

6 Internal Audit Performance

6.1 Internal Audit's performance is measured in a number of ways. Its performance against implementation of agreed recommendations is reported in paragraph 4.48.

6.2 The internal audit team's performance overall is summarised below and is above target and also above the levels achieved in 2013/14.

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Performance Indicator	2014/15 Actual	2014/15 Target	2013/14 Actual	Comments on 2014/15 Actuals
Percentage of Audits completed to user's satisfaction	96%	92%	89%	Above target.
Percentage of significant recommendations agreed	99%	90%	93%	Above target.
Productive Time (Chargeable Days)	82%	80%	82%	Above target.
Draft report produced promptly (per Client Satisfaction Form)	94%	95%	78%	

Benchmarking

- 6.3 Benchmarking is an important tool to help identify areas for review, drive improvement and deliver better value for money. The Internal Audit Section has taken part in the 2015 CIPFA Benchmarking Club which looks at 2014/15 actual costs and days and 2015/16 planned costs and days.
- 6.4 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.

- 6.5 This year's exercise has been completed and submitted, with the results due in August 2015. These will be used to inform the 2015/16 detailed audit plan and 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 Manager 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 was shared with members of the Committee as part of the AGS process in September.

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- 7.3 During 2014/15 the North West Chief Audit Executives' Group has been exploring a 'peer review' process to be developed, managed and operated by the constituent authorities to address this requirement. It is anticipated that two pilot reviews will take place in the first half of 2015/16 before a wider roll out to the rest of the Group. The Audit & Governance Committee will continue to be appraised of progress in this matter.

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Key to Assurance Level

Assurance Level	Explanation
Good Assurance	Controls are in place to mitigate against the risks identified in the terms of Reference. Testing has shown that controls are working effectively and consistently to ensure that key risks are well managed. No high level recommendations have been made although there may be a small number at medium level. Some changes in the control environment may be beneficial to enhance performance and realise best practice.
Satisfactory Assurance	Controls are adequate to address the risks identified in the terms of reference. Testing has shown that there are some inconsistencies in the application of the controls, and attention is needed to improve the effectiveness of these controls. Recommendations will normally be no higher than medium level.
Limited Assurance	Controls are either not designed to mitigate the risks identified in the terms of reference, or testing has shown there to be significant non-application of controls. There are likely to be a number of high priority recommendations and/or a large number at the medium level. Attention is needed to improve the quality and effectiveness of the control environment in order to ensure key risks can be managed well.
No Assurance	There is an absence of controls to mitigate against the risks identified in the terms of reference. The majority of recommendations made are high priority, and key risks are not being properly managed. Urgent attention is required by management to improve the control environment. This area may be considered for inclusion in the organisation's Annual Governance Statement. It may also be appropriate for this area to be included in the sections/directorate Risk Register, and for the action plan to address these fundamental weaknesses to become part of the Service Delivery Plan.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 25th June 2015
Report of: Corporate Assurance Group
Title: Draft Annual Governance Statement (AGS) 2014/15
Portfolio Holder: Councillor Peter Groves

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. The purpose of the report is for this Committee to consider the draft Annual Governance Statement 2014/15. The final version of the AGS will be brought to the Committee in September 2015.
- 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. This Annual Governance Statement includes reference to controls where significant activities take place through a group entity. This includes Companies that the Council owns or part owns.
- 1.3 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.
- 1.4 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 2014/15.

1.5 The Council continues to develop its governance framework as it delivers its transformation programme and seeks to achieve its significant savings targets. Our work has confirmed that there are adequate management arrangements in place which include robust monitoring and reporting processes. Monitoring of the Annual Governance Statement continues through the newly formed Corporate Assurance Group and the Council is proposing to undertake further work to update its Constitution.

1.6 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.

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 24th 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 2015.

3.2 In the interests of best practice and early engagement, this draft of the Annual Governance Statement is brought to the Committee for information and comment from Members.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 None.

7.0 Financial Implications

- 7.1 No specific financial implications. The production of the AGS aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by end of September 2015).

8.0 Legal Implications

- 8.1 The production of the AGS 2014/15 is required by the Accounts and Audit Regulations 2011.
- 8.2 The Accounts and Audit Regulations 2015 revoke the Accounts and Audit Regulations 2011 (S.I. 20011/817) although those regulations continue to have effect in relation to financial years end on or before 31st March 2015. Therefore, the AGS 2014/15 must fulfil the requirements of the Accounts and Audit Regulations 2011.
- 8.3 Statements for future years will be completed to fulfil the requirements of the Accounts and Audit Regulations 2015; these requirements will be considered in due course by the Audit and Governance Committee.

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 Assurance 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.
- 10.4 The review of governance arrangements in place for 2014/15 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:
- Disclosure statements completed by Senior Managers, reflecting upon the application of governance processes and adequacy of controls within their areas of responsibility;
 - 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.
- 10.5 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 2014/15, which includes the Annual Report on Risk Management
 - Interim update reports from Internal Audit and Risk Management
 - Member Officer group on Corporate Governance and the AGS
- 10.6 A workshop for Members to examine the draft AGS and supporting documentation will take place prior to the September committee meeting.
- 10.7 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. Regular updates on progress against issues raised in the 2014/15 Statement will be brought to the Committee during 2015/16.

11.0 Access to information

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

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DRAFT

Annual Governance Statement

2014/15

Version Status: Audit and Governance Committee Draft

Version Date: 25th June 2015

1. Introduction and Background to the 2014/15 Annual Governance Statement

- 1.1. Each year, the Council produces an Annual Governance Statement that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account. Cheshire East Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within arrangements 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
- 1.4. Like much of the public sector the Council continues to face on-going and unprecedented financial and service delivery challenges. Challenging decisions have been, and will continue being made to remodel and redesign services that meet the needs of the residents of Cheshire East.
- 1.5. However, this process is not without risks to the Council and all changes will need to be managed in a structured and co-ordinated manner. Having a focus on governance issues, including processes for

review and challenge within the Council will help it to manage risk and make the right decisions.

- 1.6. The Council has also reaffirmed its commitment 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 public sector budget reductions. In [May 2014](#), the Leader outlined further development of the commissioning Council approach, and the commitment to being "resident first." Our community based outcomes are set out in our [Three Year Plan - 2013-2016](#).
- 1.7. Against this background the Council has delivered another outstanding performance for its residents and businesses during 2014/15, including;
 - 96% of our schools rated good or outstanding by Ofsted - in the top 3 Councils in the country
 - £16m funding for strategic Crewe link road and £2.3m for Sandbach junction of the M6 motorway
 - £5m invested in the future of Alderley Park
 - Fairerpower energy tariffs to residents
 - £900k savings achieved on corporate contracts
 - Connecting Cheshire Partnership now reaching 70,000 premises with fibre broadband
 - Strong financial performance continues to ensure that reserves are in line with assessed financial risks and also provides a strong platform for the financial challenges ahead.
- 1.8. Like all local authorities, this Council continues to be affected by reductions in Central Government funding. Whilst the Council has discretion to increase local taxes, it has not done so now for five consecutive years as it strives to play a key part in public sector reform

and developing the economy in Cheshire and wider area with our partners.

- 1.9. 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 important to note that total spending per head of population is below average compared to the nearest neighbours. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East Council.
- 1.10. 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, for the delivery of excellent services.
- 1.11. 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.

2. Governance Framework

Scope of Responsibility

- 2.1. The 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.

- 2.2. In discharging this overall responsibility, the 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.
- 2.3. 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**.
- 2.4. 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).
- 2.5. This draft AGS is reported to the Council's Audit & Governance Committee in June 2015 and the final will be published alongside the Statement of Accounts in September 2015. It provides assurance that:
 - governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed improvements required, action is planned to ensure effective governance in future.

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



The Purpose of the Governance Framework

- 2.6. The Governance Framework comprises the systems, processes, cultures and values by which the Council 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.
- 2.7. 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 and the impact should they be realised;
- and to manage them efficiently, effectively and economically.

The 2014/15 Governance Framework

- 2.8. The Governance Framework shown in **Appendix 1** operated for the majority of 2014/15 and was in place at 31st March 2015. Changes to the 2014/15 Framework are described below.
- 2.9. Following the review of the Council’s Scrutiny function during 2014, six Overview and Scrutiny Committees were introduced and met regularly during the 2014/15 financial year. The organisation of the Overview and Scrutiny committees has been designed to align with strategic service delivery.
- 2.10. There are a small number of statutory requirements for Scrutiny Committees. During 2014/15, these requirements have been fulfilled as follows; the Communities Overview and Scrutiny Committee was designated for Community Safety. Health Scrutiny issues have been addressed through the Health and Adults Social Care Committee, and Flood Risk Management has been considered by the New Service Delivery Vehicles and Environment Committee. Corporate Scrutiny has an additional role in co-ordinating the overarching scrutiny work programme.
- 2.11. An annual report on the overall Scrutiny and Overview Committee work programme 2014/15 is due to be reported to Council in July 2015.

- 2.12. During the course of 2014/15, a number of “Alternative Service Delivery Vehicles” launched, transferring service delivery in a number of areas to Council owned and controlled companies.
- 2.13. Cheshire East Resident’s First Limited (CERF Ltd) was established in shadow form during the year and came into being on 1 April 2015 as a holding company for the following subsidiaries;
- Orbitas
 - Ansa
 - Transport Service Solutions Ltd.
 - Civicance (from 1st April 2015)
- 2.14. The Council’s move to a commissioning model strives to match the best fit supplier to the quality and value of services required. The Council is now part of a group of companies that are wholly or partly owned by the Council. The new group of companies focuses on putting the residents of Cheshire East in providing high quality services, whilst moving towards a more commercially focused approach that maximises value for money.
- 2.15. In addition, the Council’s existing joint provider of business services with Cheshire West and Chester Council became a separate legal entity; “CoSocius”. Tatton Enterprises Ltd continues to provide catering provision at Tatton Park and Engine of the North was established on 1st May 2014.
- 2.16. Everybody Sport and Recreation Leisure (ESAR) is a charitable trust. ESAR is governed by an experienced and dedicated board of trustees who act in a voluntary capacity, bringing their skills and knowledge from many diverse professional and personal backgrounds to give the trust its strategic direction and to ensure that it is governed in accordance with its charitable objectives.

- 2.17. The Council continues to develop and embed structures, systems, process and supporting arrangements to ensure that these key relationships are well governed. The increasing use of alternative providers has resulted in the Council’s control environment being, to a degree, dependent upon those providers own systems, procedures and controls. The Council’s formal arrangements for the management of performance, finance, programmes and contracts contributes to the upholding of key elements of governance arrangements within these providers.
- 2.18. Detailed updates on the governance arrangements for the Alternative Service Delivery Vehicles have been provided to the Audit and Governance Committee throughout 2014/15, most recently to the March 2015 Committee. The effectiveness of these arrangements has been assessed as part of producing this Statement.

3. Review of Effectiveness

- 3.1. The Council undertakes an annual review of its governance arrangements co-ordinated by the Corporate Assurance Group. This process is informed by a range of sources. The various sources of assurance which inform the annual review are shown in Figure 2.
- 3.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:
- **Line Management** - Assurance on individual line manager’s areas of responsibility is provided by Disclosure Statements, Partnership Governance Reviews and informed by the acceptance and implementation of recommendations from internal and external audit.
 - **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive

improvement, and how relevant risk management information is escalated up or cascaded down through the Council.

- **Internal Review** - The performance of Internal Audit and the Audit and Governance Committee, along with their assessments of the performance of individual service areas, and cross function service areas informs the preparation of the Statement.
- **External Review** - The findings and feedback from external inspectorates of the Council also provide assurance which is considered in preparing the Statement.

3.3. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2014/15 and is as follows:

Head of Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2014/15

3.4. The Council continues to develop its governance framework as it delivers its transformation programme and seeks to achieve its significant savings targets. Our work has confirmed that there are adequate management arrangements in place which include robust monitoring and reporting processes. Monitoring of the Annual Governance Statement continues through the newly formed Corporate Assurance Group and the Council is proposing to undertake further work to update its Constitution.

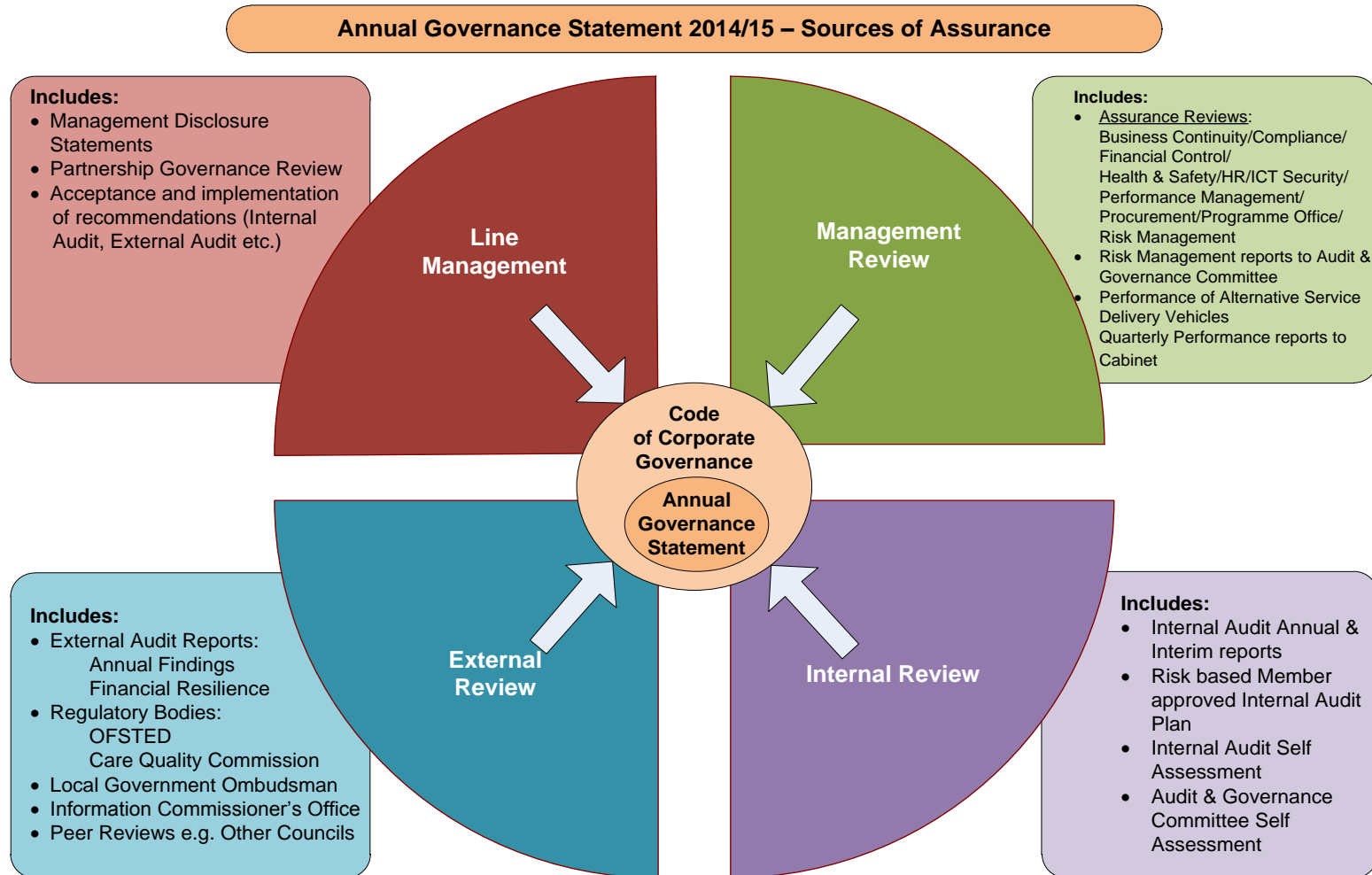
3.5. Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that the service is being delivered to the required standard. Some areas for development are being addressed. These include the need to have an external assessment against the Standards carried out. This is due once every 5 years and will be completed in 2016/17. The self-assessment and resulting

action plan will be shared with the Audit and Governance Committee in September 2015 as part of the AGS review process.

3.6. The Council is due to receive the opinion from its External Auditors on the Statement of Accounts and Value for Money for 2014/15, in September 2015.

3.7. In preparing the AGS we have examined reports, feedback and action plans from the Council's other review agencies and inspectorates, which have not highlighted any significant issues with the Council's governance arrangements.

Figure 2: Where our assurance for the effectiveness of our governance arrangements comes from



- 3.8. 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.
- 3.9. The outcome of the Audit & Governance Committee's self- assessment against the CIPFA guidance was reported in March 2015. The committee has confirmed that they have continued to improve performance and are now performing well across most areas.
- 3.10. The Committee assessed itself as compliant or partially compliant against all areas. In comparison to the previous assessment, there are now more areas of full compliance. Actions required to ensure the Committee becomes fully compliant are identified in the [March 2015 report](#). The 2013/14 Statement also referred to a number of emerging issues, which the Corporate Assurance Group monitored during 2014/15 to ensure that these areas were effectively managed, to ensure that they did not become significant issues in year.
- 3.11. As Local Government continues to make progress towards better value for money and put people in charge of the services they use, the ways in which public services have been delivered for the last 50 years are no longer affordable. In large part this is due to reductions in public spending, but there has also been a significant increase in demand for services and increased public expectation about the quality of services.
- 3.12. Councils are at the forefront of meeting these challenges and are driving transformational change and redesign of services, developing new partnerships and ways of working to break down silos to result in services that are fundamentally better, in terms of results, value for money and efficiency.
- 3.13. Many of these national issues are mirrored in the Council's transformation agenda. Table 1 below sets out the governance issues that the Council has been proactively monitoring during 2014/15 as well as those identified in last year's Annual Governance Statements. This is an ongoing process and all actions are updated on a quarterly basis following discussion at Corporate Assurance Group meetings. In addition regular updates are provided to the Audit and Governance Committee.
- 3.14. The CIPFA guidance defines the six core principles that underpin the governance framework of a local authority:
1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.*
 2. *Members and officers working together to achieve a common purpose with clearly defined functions and roles.*
 3. *Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*
 4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.*
 5. *Developing the capacity and capability of members and officers to be effective.*
 6. *Engaging with local people and other stakeholders to ensure robust public accountability.*
- 3.15. A more detailed assessment against the six CIPFA/SOLACE principles is set out in Appendix 2.

3.16. The table below sets out the progress made against the issues identified in the 2013/14 Annual Governance Statement, which were not identified as significant governance issues, but required further attention during 2014/15.

Table 1 – Progress against governance issues identified in 2013/14 Annual Governance Statement

Description of Issue	Proposed Action	Responsibility	Progress made during 2014/15
<p>Information Asset Register (Principle 3) The Council needs to further develop its Information Asset Registers in line with best practice.</p>	To sign off information asset registers and agree arrangements for their ongoing maintenance and annual review.	Chief Operating Officer	An initial Information Asset Register has been completed for the whole Council during 2014/15. The process of validating this version with individual services also commenced during 2014/15. It will be completed in early 2015/16.
<p>Business Continuity Planning (Principle 1) Current and tested business continuity plans are not consistently in place across all service areas.</p>	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	Head of Corporate Resources and Stewardship	Business Continuity Planning has been aligned with Risk Management and Governance arrangements. Action is now being taken to update and test corporate continuity plans. Progress will be reviewed by Internal Audit during 2015/16.
<p>Local Economic Partnerships (Principle 1) Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.</p>	Governance arrangements need to be developed that are sufficiently 'future proofed' to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council's relationship with it.	Director of Economic Growth and Prosperity	The Council, as the accountable body, has been working closely with the LEP core team to develop and 'bed-in' governance and stewardship arrangements appropriate to the management of Local Growth Funds. The Council's Chief Operating Officer has taken a leading role on the LEP's Performance and Governance Board during the year and is also the S151 officer for the LEP and responsible for the LEP's assurance framework. There has been representation from Members and Senior Officers across the various LEP boards and committees through 2014/15. Internal Audit is also carrying out a governance review in early 2015/16.

3.17. The 2013/14 Annual Governance Statement identified a limited number of emerging issues, which required further attention and monitoring to ensure they did not become significant governance issues. The table below provides details of the issues raised and the actions which have been taken during 2014/15.

Table 2 – Progress made in 2014/15 against emerging issues identified in 2013/14 Annual Governance Statement

Description of Issue	Proposed management action	Responsibility	Progress made during 2014/15
<p>Council Funding (Principle 1) 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.</p> <p>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.</p>	<p>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 is being undertaken with the Cabinet to develop budget proposals for 2016/17 and beyond.</p> <p>Proposals for a balanced budget for 2015/16 were presented to Corporate Overview and Scrutiny Committee on 21st July 2014 – significantly earlier than ever before. This provided residents and businesses with greater certainty and allowed the Council more time to focus on the greater financial challenges ahead.</p>	<p>Chief Operating Officer</p>	<p>These issues which challenge the Council’s financial position are considered as part of the budget setting report to Council including the calculation of a risk assessed minimum level of reserves. This calculation was reviewed and challenged during January 2015 and was informed by the third quarter review of performance.</p> <p>The Council’s planned level of reserves as at 31st March 2015 is in line with its risk assessment and agreed policy.</p> <p>Budget setting has been supported by further enhancements to the in- year performance monitoring processes.</p> <p>Medium Term Financial Strategy, Leader’s Report and Budget 2015/18</p>
<p>Project Management (Principle 4) The Council has a significant number of key projects currently in implementation and planned for the future. These include</p> <ul style="list-style-type: none"> ambitious economic regeneration 	<p>The Council’s revised project and programme management approach is now an established part of the governance framework. Through its member led Executive Monitoring Board, all major change programmes and projects are subject to scrutiny and challenge at both</p>	<p>Chief Operating Officer</p>	<p>Continuous improvement in programme and project management has been embedded in the form of a comprehensive Programme Management Office (PMO) Action Plan, endorsed by EMB in July 2014 and monitored on an ongoing basis. This brings together a</p>

<p>plans; and</p> <ul style="list-style-type: none"> ongoing commissioning reviews leading to new improved service delivery arrangements. <p>The Council is aware that if any of these are not delivered as planned it could result in aspects of service failure for residents, reputational issues or increased financial pressure.</p>	<p>development and delivery stage.</p> <p>The Council’s new scrutiny committees also have an overview and help to highlight any issues and mitigate this risk.</p>		<p>number of ongoing work streams, including recommendations from internal audit’s project health checks.</p> <p>A number of Finance and Project Management staff have received formal training on “Better Business Cases” and will use this to inform the production of Business Cases in future.</p> <p>A number of Council staff responsible for managing projects have undertaken a Foundation Course in the Management of Risks, which has enhanced their project management skills.</p>
<p>New Service Delivery Models (Principle 3)</p> <p>The Council launched four new service delivery vehicles in April and May 2014. Service areas transferred to these new companies were initially completed on a ‘lift’ and ‘shift’ basis to maintain existing arrangements. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.</p> <p>Two new vehicles were launched in early 2015: Transport Service Solutions Ltd (1st January 2015) and Civicance (1st April 2015)</p>	<p>Senior officers to 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 commissioning plans and new contracts - and the benefit to residents - are fully achieved.</p>	<p>Chief Operating Officer</p>	<p>The shareholders agreement is now in place and work is ongoing to support the Cheshire East Residents First (CERF) Board in monitoring performance and reviewing business plans. The Council has reviewed the management fee requirements for 2015/16 as part of its wider budget discussions.</p> <p>Cabinet received updates in relation to proposals for its energy and planning/building control companies during the year.</p> <p>Cabinet, 6th January 2015</p>

<p>Health and Social Care Integration (Principle 2)</p> <p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the three acute providers in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with one of the initial aims of the work programme being to reduce non elective-admissions to hospitals locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>	<p>The Council is continuing to develop the BCF arrangements with its CCG and acute provider partners, to ensure that a deliverable programme of work is in place by April 2015. The Council, along with its partners is continuing to develop, discuss and assess progress in line with Department of Health Guidance throughout 2014/15, which help to support further assessments of progress being undertaken by the Department of Health. More detailed plans will be submitted to the Department in September 2014.</p> <p>Specific actions being developed as part of the September submission, and continuing through the remainder of 2014/15 include:</p> <ul style="list-style-type: none"> • Developing the risk log and assessment process with partners. • Establishing appropriate governance arrangements for the BCF – with an overall budget of £23.8m - determined by Government, that are outlined in the submission alongside arrangements for risk sharing and contingency planning with partner commissioners and providers. • Assessing the financial risk between the partners, whilst understanding that significant risk falls to the CCG's as commissioners, in that if a reduction in emergency admissions is 	<p>Director of Adult Social Care and Independent Living</p>	<p>A number of updates have been reported during 2014/15;</p> <p>Better Care Fund Plan (Cabinet, 1st April 2014)</p> <p>Better Care Fund Update (Audit and Governance Committee, 20th November 2014)</p> <p>Better Care Fund – Section 75 Partnership Agreements (Health and Wellbeing Board, 24th March 2015, Cabinet, 31st March 2015)</p> <p>A strategic commissioning manager has been appointed to support the delivery of the Better Care Fund. This, combined with specific finance support provides CEC with capacity to develop more robust finance and performance reporting mechanisms to provide assurance to partners and the Health and Wellbeing board.</p> <p>Redesigned and pilot health and social care joint schemes are now moving towards implementation and launch with all schemes anticipated to be operational from October 2015. The risk, finances and performance of these schemes will continued to be monitored during 2015/16.</p> <p>NHS England has outlined a quarterly reporting cycle via the 2015/16 BCF</p>
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	<p>not achieved, they would bear the cost of these admissions as well as the cost of investment in BCF initiatives.</p> <ul style="list-style-type: none"> • Ensuring that the performance framework provides sufficient intelligence and information to allow the overall performance of the BCF scheme to be monitored including the performance payment mechanisms being implemented by the Department of Health. 		<p>operationalisation guidance.</p>
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- 3.18. Central Government has reaffirmed its ambition to continue its public service reform programme through increasing choice, opening services up to a wider range of providers, devolving decision making to the lowest appropriate level and improving transparency and accountability of public services.
- 3.19. The Council has continued to make more progress towards better value for money and putting people in charge of the services they use. Our assessment of the effectiveness of our governance arrangements for 2014/15 has not identified any significant governance issues. Table 3 below highlights the specific issues arising during the year that, going forward, will need action and monitoring by the Council to ensure that they do not become significant governance issues. They will continue to be monitored by Corporate Assurance Group during 2015/16 and escalated to the Chief Operating Officer, Corporate Leadership Board, Audit and Governance Committee and Cabinet where necessary.

Table 3 – Emerging business issues impacting on 2015/16

Description of Issue	Proposed Management Action	Responsibility
<p>Public Service Reform (Principle 4)</p> <p>Councils are now at the forefront of transformational change and redesigning public services, developing new partnerships and ways of working to break down silos to result in services that are fundamentally better, delivering economic prosperity, reformed public services, and value for money and improved efficiency. A key part of the reforms is The Care Act 2014, which took effect on 1st April 2015, bringing together the majority of legislation covering Adult Social Care. Cheshire East residents will benefit from the new legislation through the enhanced focus on ‘wellbeing’, the new national eligibility criteria for services, the recognition of the role of carers by insuring they have equal rights to access support and the many other changes included.</p> <p>Much of the Act is already embedded in policy and practice but there are a number of changes required by the Act. A Care Act Programme Board and project team has been established under the leadership of the Director of Adult Social Care and Independent Living. The Council received a one off allocation of funding from Central Government to support preparation for implementation and change management</p> <p>A number of individual projects have been working to deliver on the wide ranging requirements of the new legislation. Further details were reported to Cabinet on 3rd March 2015</p>	<p>The Council will need to introduce a variety of new policies, as reported upon in the Cabinet paper to ensure compliance with the Care Act 2014 from the 1st April 2015.</p> <p>These include;</p> <ul style="list-style-type: none"> • Preparation for legislation which governs the financial contribution to care • Reviewing the use of its discretionary powers with regards to charging for care and associated services. • Introducing the new national eligibility criteria for carers • Ensuring care and support is made available to those carers with assessed eligible needs. 	<p>Director of Adult Social Care and Independent Living</p>

<p>Information Governance (Principle 3)</p> <p>Effective information governance practices are critical in an organisation like the Council which deals with significant amounts of personal and sensitive information every day. They ensure that data is handled in accordance with the relevant legislation, as well as providing accurate and available information for decision making purposes.</p> <p>Within Cheshire East Council, the Chief Operating Officer is the Senior Information Risk Owner (SIRO), and the Corporate Manager ICT is the Deputy SIRO. The Deputy SIRO chairs the SIRO working group which reports into the Corporate Assurance Group. The SIRO working group has a programme of which includes improving information management practices in the Council.</p> <p>Breaches of the Data Protection Act have been reported to the Information Commissioners Office (ICO) in year. The ICO findings have not resulted in fines; they have required additional actions to be undertaken, including training.</p> <p>The Council has formalised and communicated an incident breach reporting process, and recognises that there is a need to improve compliance with information governance best practices.</p> <p>There have been regular Council wide communications reminding staff of the importance of good information management practices, and these have been supported by improved internal guidance on the Council’s intranet pages.</p>	<p>Continue to raise awareness about good information management practices across Service Management Teams, and general awareness amongst all Council staff and Members. Staff Induction, team meetings and personal development reviews will also be used to promote awareness and engagement.</p> <p>The adoption and validation of the Council’s Information Asset Register with individual services will improve understanding of data held, as well as clarifying ownership of data and associated roles and responsibilities.</p> <p>A training programme targeting information governance is in development and will be released across the Council in a phased manner during 2015. This aims to improve understanding of personal and corporate responsibilities in relation to data handling.</p>	<p>Chief Operating Officer</p>
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4. Conclusion

- 4.1. 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:

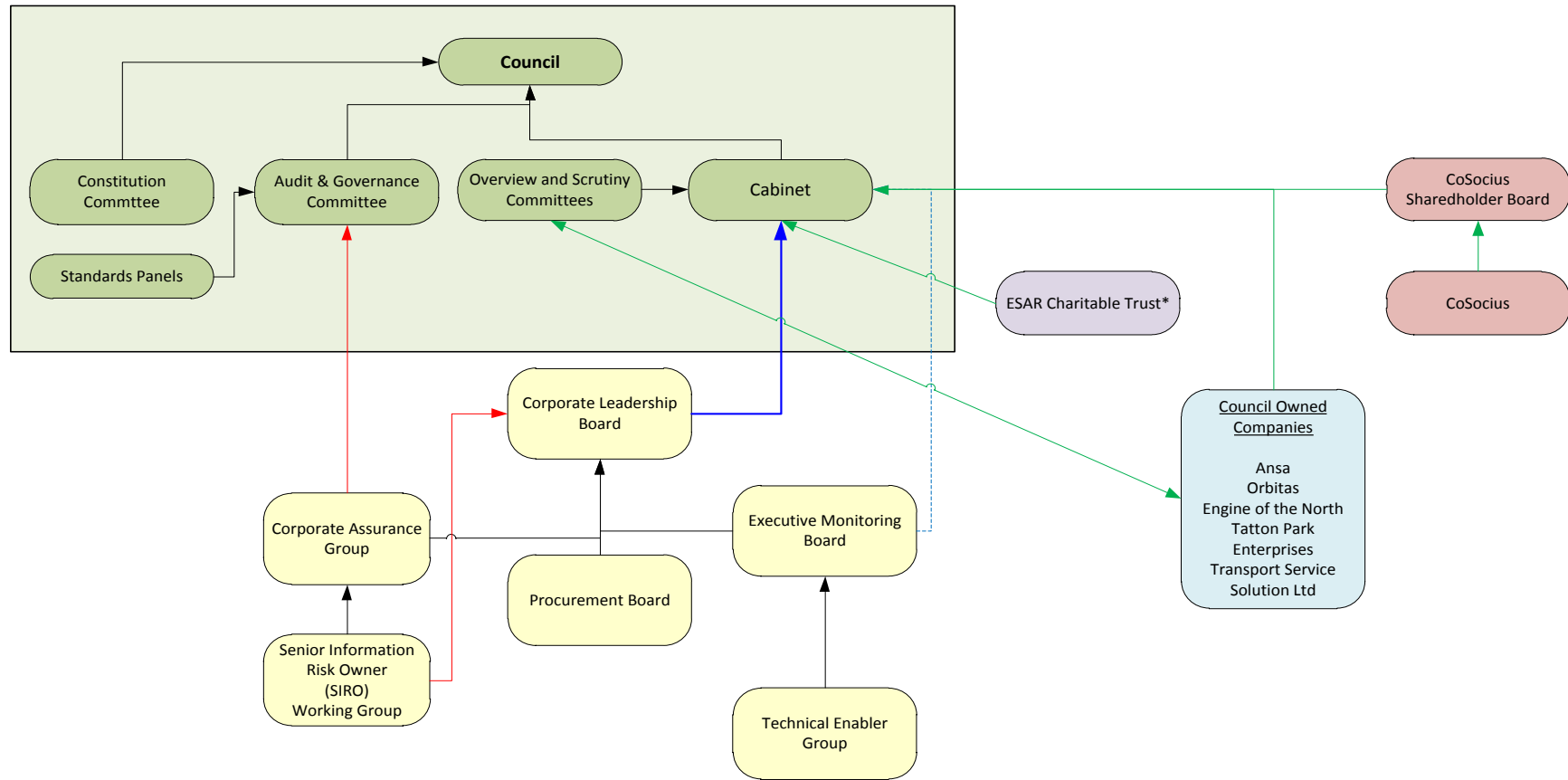
The Council's framework of risk management, control and governance is assessed as adequate for 2014/15.

- 4.2. The Chief Operating Officer also recognises that further work is needed to ensure that the Council's arrangements for risk management, control and governance are fully, and consistently, embedded across the Council. He will continue to work with the Council's Corporate Leadership Board (CLB) and Corporate Assurance Group (CAG) to ensure that these arrangements are regularly reviewed and refreshed so that it is fit for purpose to support the transition to a commissioning council that puts residents and businesses first.

5. Approval - To be signed following September 2015 Committee

- 5.1. 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.
- 5.2. 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 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.

Appendix 1: The Governance Framework in operation during 2014/15



Key:

- Black lines denote normal Committee reporting lines
- Blue lines denote groups reporting to Cabinet
- Red lines denote groups reporting to Audit and Governance Committee
- Green lines denote the reporting for ASDV arrangements
- Dashed blue line denotes individual scheme reports to Cabinet via the PMO process
- * Relationship between ESAR and the Council managed via the Contract.

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 2015/17 (MTFS) and the Leader’s Announcements to Council during 2014/15.	Medium Term Financial Strategy, Leader’s Report and Budget 2015/18 (Council, 26 th February 2015) Leader’s Announcements at Council (Council, 14th May 2014 , 17th July 2014 16th October 2014 11th December 2014 26th February 2015)
We have reviewed and restated the Council’s priorities for the local area and have reviewed, and continue to develop, the Council’s governance arrangements as we make the transition to operating as a strategic commissioning Council and delivering services in different ways.	Payments to Directors of Council Owned Companies (Audit and Governance Committee, 20 th November 2014) Alternative Service Delivery Vehicle and Governance and Stewardship (Audit and Governance Committee, 19 th March 2015)
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 excellence in service delivery, as well as monitoring areas requiring improvement.	First Quarter (Cabinet, 16 th September 2014) Mid-Year Review of Performance (Cabinet, 11 th November 2014) Third Quarter Review of Performance (Cabinet, 11 th February 2015)
The Council’s review of Community Governance arrangements continued during 2014/15, resulting in the parishing of all communities within the Cheshire East boundaries. Most recently, Macclesfield Town Council was established. Elections to the Council were carried out on 7 th May 2015.	Macclesfield Community Governance Review Macclesfield Community Governance Review – Final Outcome (Constitution Committee, 29 th January 2015)
Various parts of the Council 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.	The Council has 40 Twitter accounts, the most followed of which is @CheshireEast with around 11,100 followers. Other popular accounts are @CECRangers, @FISCheshireEast and @CECLibraries.
The “My Cheshire East” phone application launched in March 2015. This provides residents access to localised information, news, an interactive map and the ability to “Report it”.	My Cheshire East app

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
The app has been downloaded 1,580 times so far.	
The Council provided an updated “Value for Money” overview in November 2014. This was shared at an all Members Finance briefing on 16 th December 2014 and the documents and supporting data is available on the Council’s website. The purpose of this document is to provide evidence and analysis for interested stakeholders, increasing transparency around the Council’s financial position.	Value for Money 2014
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. An annual report on the Treasury Management Strategy for 2015/16, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2015/18, required under Part 1 of the Local Government Act 2003 was approved by Audit and Governance Committee in January 2015.	Treasury Management Strategy and MRP Statement 2015/16

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
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 Council for all aspects of operational management.	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 Council 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 governance arrangements for the Council’s Chief Operating Officer comply with the arrangements set	Corporate Leadership Board Scheme of Delegation to Officers

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
out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) .	
The Head of Legal Services and Monitoring Officer is responsible to the Council 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 has been undertaken from July 2014 to February 2015. This has included consultation with statutory groups, including the Schools Forum and businesses, as well as other stakeholders. This included consultation with Trade Unions, Town and Parish Councils, and local Chambers of Commerce. The process culminated in the Medium Term Financial Strategy 2015/18 report, presented to Cabinet in February 2015.	Medium Term Financial Strategy 2015/18 (Annex 2 : Business Planning Process - Engagement) (Cabinet, 11th February 2015)
The Medium Term Financial Strategy clearly identifies how resources will be matched against the delivery of priorities established in the Council's Three Year Plan. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Reserves Strategy.	Medium Term Financial Strategy 2015/18 (Cabinet, 11th February 2015) (Council, 26th February 2015)
Quarterly performance reports to Cabinet during 2014/15 covered a range of financial and non-financial performance indicators, supporting the achievement of corporate priorities and objectives	First Quarter (Cabinet, 16 th September 2014) Mid-Year Review of Performance (Cabinet, 11 th November 2014) Third Quarter Review of Performance (Cabinet, 11 th February 2015)
The Constitution includes a Member /Officer Relations Protocol, which was established to encourage effective communication between members and officers.	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 accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2014/15 agreed by Council on Council 27th February 2014 and the Pay Policy Statement for 2015/16 was agreed by Council on 26th February 2015 .	Pay Policy Statement for 2014/15 approved by Council 27th February 2014 . Pay Policy Statement for 2015/16 approved by Council 26th February 2015 .
During 2014/15, Cheshire East Council has worked closely with a variety of other delivery partners, such as the Cheshire and Warrington Local Enterprise Partnership (LEP) and Council controlled companies.	Partnership Governance Reviews Cheshire and Warrington Local Enterprise Partnership Everybody Leisure Trust CoSocius

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 Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. Audit and Governance Committee received a "Fraud and Corruption Update Report" outlining progress in implementing key anti-fraud actions to protect the Council's interests and consider local and national developments to counter the threat of fraud and corruption.	Code of Conduct Anti Fraud and Corruption Policy Whistleblowing Policy Fraud and Corruption Update (Audit and Governance Committee, January 2015)
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.	The Internal Audit review will be completed and inform the final Annual Governance Statement as necessary.
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 Update Report on 20 th November 2014. This covered all complaints received under the Code from April to October 2014. The Council had approved a new process for dealing with complaints in July 2014. The update report included complaints which had been dealt with under the previous scheme, and those being considered under the new process.	Members Code of Conduct: Standards Panels and Sub Committee update (Audit and Governance Committee, November 2014)
Reviews of Council services have been carried out throughout the year by external inspectorates such as Ofsted and the Care Quality Commission. This includes reviews of services such as Children's Centres, the Pupil Referral Unit and Children's Homes; in some cases these are operated by private providers. 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	Care Quality Commission Ofsted

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
issue in the 2014/15 AGS.	

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
The Council’s project and programme management approach is now an established part of the governance arrangements and incorporated within the Constitution. This process allows all major change project objectives to be subject to scrutiny and challenge at both development and delivery stage.	A comprehensive PMO Action Plan was endorsed by the Executive Monitoring Board in July 2014. Progress is underway and is being regularly reviewed by the Portfolio Holder for Performance.
<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 the Audit Manager concluded that, although there are areas for improvement, (included in a separate action plan), the internal audit service is being delivered to the required standard.	Internal Audit Annual Report (To be reported to Audit and Governance Committee, June 2015)
The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Some improvements notified in the previous year via an Internal Audit report have been implemented, improve ownership of and enhance the robustness of the declarations process.	Individual Member Register of Interests are published on the Council’s website
The outcome of the Audit & Governance Committee’s self- assessment against the CIPFA guidance was reported in March 2015. There has been an improvement in the Committee’s	Audit & Governance Committee Self Assessment (Audit and Governance Committee, March 2015)

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>performance as a result of previously identified actions being implemented.</p> <p>The Committee assessed as compliant or partially compliant against all areas; in comparison to the previous assessment, there are now more areas of full compliance. Actions required to ensure the Committee becomes fully compliant are identified in the March 15 report.</p> <p>Training for new Committee members will take place on 25th June.</p>	
<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.</p>	<p>Cheshire East Council – Agendas, Minutes and Reports</p>
<p>The Finance Reporting Centre provides self-service access to a consistent set of well presented, timely, complete and accurate reports on the financial performance of the Council to budget managers and senior officers.</p> <p>As a Commissioning Council, the need for financial information to be presented in varying formats has increased. A new reporting system called Collaborative Planning has been procured to fulfil this requirement and is currently being developed. Collaborative Planning will generate a system based expenditure forecast and will also allow the option for an interactive forecasting from Budget Managers. The system should be available to all Senior Officers and Budget Managers from Autumn 2015.</p>	<p>Financial Reporting Centre</p>
<p>Reserves strategy and forecasts are clearly set out in the Medium Term Financial Strategy (Annex 12) and are monitored through the quarterly Finance updates. Opportunities for strengthening the reserves position are routinely considered as part of the account closure exercise.</p>	<p>Medium Term Financial Strategy 2015/18 (Council, 26th February 2015)</p>
<p>The Council’s Whistleblowing Policy is available on its website and intranet site together with an email address. A review against best practice was carried out and reported to the June 2014 Audit and Governance Committee.</p>	<p>Whistleblowing Policy (Audit and Governance Committee, June 2014)</p>
<p>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.</p> <p>An external inspection report on the Council’s use of RIPA in May 2013 was very positive and all recommendations have been implemented. The Council is due for re-inspection before the end of 2016.</p>	<p>Compliance with the Regulation of Investigatory Powers Act (2000) (RIPA) (Audit and Governance Committee, January 2015)</p>

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
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 (Platinum Status) as well as the AAT and ACCA.	
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 Council. Opportunities are also available to participate in training and development courses for qualifications from “The Management Institute of Excellence”	Performance Development Plans
The Council has an established apprenticeship scheme allowing young people to obtain varied work experience whilst training for qualifications. The Council has approximately 50 apprentices at any time, working across the Council and it’s arms-length operating companies. The Council’s scheme was recognised with a “Highly Commended” award from the North West Apprenticeship Awards in September 2014.	CEC Apprenticeships North West Apprenticeship Award
The roles and responsibilities of Councillors in monitoring financial performance are outlined in the Constitution, the Scheme of Delegation and in Committee Terms of Reference.	Constitution Schemes of Delegation Committee Terms of Reference.
Members have completed a “Skills Audit” process which provides information to the Party Whips on the skills and qualifications of their Members. This can then be used in considering appointments to Committees. These will be updated for Members following the May 2015 elections.	

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
The “Media Hub” part of the Council’s website draws together the latest news and information about the Council, and also provides information on ways of communicating with the Council. It includes links to press releases and the Council’s social media channels.	CEC – Media Hub

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
<p>Six Overview and Scrutiny Committees operated during 2014/15, with the Corporate Overview and Scrutiny Committee, made up of the Chair and Vice Chair of the 5 Committee, leading on coordinating the overarching work programme. The statutory responsibilities of the Scrutiny Committees have all been fulfilled during 2014/15.</p> <p>An annual scrutiny report for 2014/15 is in production and due to be reported to Council in July 2015.</p>	<p>Corporate Overview and Scrutiny Committee Jobs, Regeneration and Assets Overview and Scrutiny Committee New Delivery Vehicles and Environment Overview and Scrutiny Committee Health and Adults Social Care Overview and Scrutiny Committee Children and Families Overview and Scrutiny Committee; and Communities Overview and Scrutiny Committee</p>
<p>The Council is committed to openness and transparency. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. Cabinet Meetings continue to be broadcast live on the internet, and are available online to be watched after the event.</p>	<p>Webcast Cabinet Meetings.</p>
<p>Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as required, including statutory consultation processes for areas such as Planning and Licensing.</p> <p>The Council also has a citizen’s consultation panel; “Influence Cheshire East”. The panel is comprised of invited participants who are asked to complete surveys which provide valuable and constructive feedback. By working on an “invitation” basis, the membership is designed to reflect the profile of the borough.</p> <p>In addition, the Council has a “Digital Influence Panel” which is based entirely online and open to any resident of Cheshire East. Members of this panel area also asked to complete consultations and surveys, in many cases these will be the same as those sent to the Influence Cheshire East panel members.</p>	<p>Consultations in Cheshire Licensing Planning</p> <p>Influence Cheshire East</p> <p>Digital Influence Panel</p>
<p>Council employees receive a weekly internal newsletter (Team Talk) in addition to service specific communication and briefings.</p> <p>Information is cascaded from the Corporate Leadership Board through Department Management Team meetings to Team/Unit meetings as necessary.</p> <p>Opportunities for staff to provide feedback exist through line management supervision, team meetings, and an online “Staff Suggestion Box”</p>	<p>CEtranet – ‘Team Talk’</p>

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting:	25th June 2015
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 2014/15.

2.0 Recommendations

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

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

- 7.1 Unless employees have confidence in the Council's whistleblowing arrangements, they are likely to stay silent where there is a threat to the employer or the wider public interest. Such silence denies the organisation the opportunity to deal with a potentially serious problem before it causes real damage. The costs of such a missed opportunity

can be great in terms of fines, compensation or higher insurance premiums.

8.0 Legal Implications

8.1 The 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 2014/15, a total of 7 whistleblowing reports were received by Internal Audit, which can be broken down as follows:
- 4 did not fall under the scope of the policy and were therefore referred to the appropriate service/organisation for action;
 - 1 was unsubstantiated following investigation; and
 - 2 are currently under investigation and appropriate remedial action will be taken to address any control weaknesses identified during this process.
- 10.10 This represents a 12.5% decrease in the total number of reports when compared to those received in 2013/14. However, the number of reports received year on year remains consistent with 6 referrals received in 2012/13 and 8 in 2013/14.
- 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 As previously reported to this Committee, the Whistleblowing Policy was updated in June 2014 to reflect best practice guidance issued by Public Concern at Work. No further guidance has been issued and as such the policy is considered to still be in line with best practice.
- 10.15 In response to an on-line referral that was unclear as to who was making the referral and who the referral was about, a review of the referral form was carried out. This resulted in a redesign of the form which is now live on both Centranet and the Cheshire East website.
- 10.16 Following the change to the referral form, the Policy was promoted via a Team Talk article to raise staff awareness of the policy and ensure that they know how to refer any concerns that they may have.

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

REPORT TO: Audit and Governance Committee

Date of meeting: 25th June 2015
Report of: Corporate Manager - Governance and Audit
Title: Revised Code of Corporate Governance
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

1.1 The purpose of this report is for the Committee to review and comment on the update to the Council's Code of Corporate Governance.

2.0 Recommendation

2.1 To review and comment on the revised Council's Code of Corporate Governance (Appendix A).

3.0 Reasons for Recommendation

3.1 In accordance with the Council's Constitution, the Audit and Governance Committee is responsible for reviewing the Council's corporate governance arrangements.

3.2 Ensuring the Code of Corporate Governance is regularly updated demonstrates the Council's commitment to ensuring high quality public services. In promoting the principles of accountability and effective governance, the Council is providing stakeholders with greater awareness of its arrangements, and clarity on the expected principles and behaviours to which the Council will operate.

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 Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. However, there are costs associated with embedding and continuing good governance practices, and as the Council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

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

8.1 The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement (AGS). The best practice guidance is recognised as the CIPFA Framework *Delivering Good Governance in Local Government (2012)*. The AGS is used by the Council to report publically on the extent to which the Council has complied with its adopted Code, which is a requirement of the Accounts and Audit Regulations (England) 2011.

9.0 Risk Assessment

9.1 Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. Failure to develop and maintain a local Code of Corporate Governance and publish an AGS means the Council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

10.0 Background

Local Government Corporate Governance

10.1 Good governance is about ensuring that the Council does the right things, in the right way, in a timely, open, and accountable manner. It must therefore include the systems, processes, cultures and values by which services are directed and controlled, and by which we are accountable to, and engage with our stakeholders and communities.

10.2 CIPFA and the Society of Local Authority of Chief Executives (SOLACE) have provided best practice guidance on establishing a local Code of

Corporate Governance. This was originally published in 2001, refreshed in 2007 and most recently updated in 2012; *Delivering Good Governance in Local Government – Framework*.

- 10.3 Cheshire East Council has previously approved and adopted a Code of Corporate Governance. The Council's Code of Corporate Governance was first approved by the Governance and Constitution Committee in November 2009. The Code has subsequently been reviewed and updated to reflect best practice and organisational changes, most recently in November 2013. Cheshire East Council's Code is consistent with the principles of the CIPFA/SOLACE Framework.
- 10.4 The CIPFA/SOLACE guidance defines the six core principles, each supported by sub-principles that should underpin the governance framework of a local authority:
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
 5. Developing the capacity and capability of members and officers to be effective
 6. Engaging with local people and other stakeholders to ensure robust public accountability
- 10.5 The Code articulates the expected standards, principles and values by which Cheshire East Council Officers and Members will operate. There should be clear links between the principles of the Code, and the governance framework of strategies, policies and procedures which underpin the Code; one outcome of revising the Code has been to clarify these links.

The revised Code

- 10.6 As reported to the Audit and Governance Committee in January 2015, the Chief Operating Officer is responsible for ensuring the Code of Corporate

Governance is reviewed annually, at the start of the AGS process, to ensure it remains fit for purpose.

- 10.7 Although the Chief Operating Officer has responsibility for the Code being updated, in practice the detailed review of the Code has been undertaken by the Corporate Assurance Group, which also has responsibility for overseeing the production of the AGS; the draft Statement for 2014/15 will be considered by the Committee elsewhere on the agenda.
- 10.8 The Code has been assessed to reflect the position of the Council as it increasingly operates as a Commissioning Council. The principles and sub-principles expressed in the Code have been considered, and all continue to be relevant.
- 10.9 The major change to the Code is the inclusion of evidence sources. Failing to capture all relevant evidence sources may undermine the quality of the AGS process and increase the risk of significant governance issues emerging outside of the AGS process.
- 10.10 Including the evidence sources highlights the various systems, policies and processes which demonstrate how the Council complies and fulfils the requirements of its Code. It also provides assurance that these are as comprehensive and wide ranging as possible, therefore enhancing the quality of the AGS process.
- 10.11 The revised Code has been published in the format suggested to the Committee in January 2015. This provides clarity for Members, Officers and stakeholders about how the organisation uses the principles of the Code in practice.
- 10.12 An updated Code will then be presented to the June 2015 Audit and Governance Committee for consideration. The suggested approval process would be for Audit and Governance Committee to receive, review and recommend the revised Code to Cabinet. Cabinet would receive the recommended Code, and if in approval, would recommend it to Council to approve the financial and other arrangements set out in the Code. Following this process would help in raising awareness of the Code amongst Officers and Members.

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

Code of Corporate Governance

Version Status: 2.0 - Draft for Audit & Governance
Committee

Version Date: 25th June 2015

1. Introduction

1.1. Corporate Governance is about the systems, processes and values by which organisations operate and by which they engage with and are held accountable to their stakeholders.

1.2. Cheshire East Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled “Delivering Good Governance in Local Government – Framework” (2012 Edition).

1.3. The CIPFA guidance defines the six core principles as shown in Figure 1, that underpin the governance framework of a local authority:

1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.*
2. *Members and officers working together to achieve a common purpose with clearly defined functions and roles.*
3. *Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*

4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.*

5. *Developing the capacity and capability of members and officers to be effective.*

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

Figure 1 - CIPFA/SOLACE Core Principles



- 1.4. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and the management of risk.
- 1.5. By publishing a Code of Corporate Governance the Council is demonstrating its commitment to ensuring the high quality of its public services. In promoting the principles of openness, accountability, integrity and effective governance, the Council encourages public trust.
- 1.6. The Code provides stakeholders with greater awareness of the Council's arrangements, and provides assurance and knowledge to promote greater engagement.
- 1.7. Internally, the Code provides officers with a clear guide to the Council's expected principles and behaviours in relation to governance.
- 1.8. Cheshire East Council has robust governance arrangements in place. The policies and procedures which make up the arrangements demonstrate that the Council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SOLACE framework into all aspects of the Council's conduct and operation.
- 1.9. Cheshire East Council, as a commissioning Council increasingly works with a range of other organisations to deliver services and achieve its corporate objectives. There is a need to ensure the Council's governance standards are shared with our delivery partners, and that the Council has mechanisms in place to monitor compliance with these expectations.
- 1.10. The Chief Operating Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported to the Audit and Governance Committee for approval.
- 1.11. The Council produces an Annual Governance Statement to report publicly on how the Council has complied with its own Code of Corporate Governance, including how the effectiveness of these arrangements during the year have been monitored.
- 1.12. The production of the Annual Governance Statement is required for compliance with the Accounts and Audit Regulations 2015, and the Statement is presented to the Audit and Governance Committee annually in conjunction with the Statement of Accounts.
- 1.13. The following tables identify the means by which Cheshire East Council will achieve the core principles of its Code of Corporate Governance, as well as the supporting principles and examples of the evidence associated with them.

Principle 1 <i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
<p>1.1 Exercising strategic leadership by developing and clearly communicating the authority’s purpose and vision and its intended outcome for citizens and users</p>	<p>1.1.1 Develop and promote the authority’s purpose and long term vision</p>	<ul style="list-style-type: none"> • Sustainable Community Strategy • Medium Term Financial Strategy • Annual Communications on Budget Consultation and Budget Setting • CorVu/Performance reporting to Cabinet and CLB • Oracle / Finance Reporting System • Final Accounts • Media Hub • Underpinned by the Councils commitment to Putting Residents First and our core values and behaviours
	<p>1.1.2 Review on a regular basis the authority’s priorities for the local area and its implications for the authority’s governance arrangements</p>	<ul style="list-style-type: none"> • Quarterly performance reporting • Annual Governance Statement production • Annual budget and service delivery plans • Leader’s Announcements • Corporate Objectives • Medium Term Financial Strategy • Consultation evidence including ‘ICE’ Citizen’s Panel
	<p>1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</p>	<ul style="list-style-type: none"> • Constitution • Finance and Contract Procedure Rules • Individual Partnership Agreements/Compacts etc. • Sustainable Community Strategy • Leader’s Board • Area Transformation Groups
	<p>1.1.4 Communicate the authority’s activities and achievements,</p>	<ul style="list-style-type: none"> • Statement of Accounts • Annual Governance Statement

Principle 1 <i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	its financial position and performance	<ul style="list-style-type: none"> • Quarterly performance reporting to Cabinet • Internal Communications; includes weekly newsletter to staff and Members, regularly updated intranet site, staff roadshows and conferences. • Media Hub
1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	<ul style="list-style-type: none"> • Commissioning Strategies • Contracts/SLAS • Business Intelligence/Research and Consultation
	1.2.2 Put in place effective arrangement to identify and deal with failure in service delivery	<ul style="list-style-type: none"> • Project Management framework • Commissioning arrangements; contracts, specifications etc. • Compliments and Complaints processes • Business Continuity Plans • Emergency planning • Audit reports and action plans
1.3 Ensuring that the authority makes best use of resources, that tax payers and service users receive excellent value for money, and the charge to tax payers to be affordable and reasonable	1.3.1 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	<ul style="list-style-type: none"> • Value for Money Strategy • Environmental impact assessments • Carbon Reduction
	1.3.2 Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public	<ul style="list-style-type: none"> • Project Management framework • Quarterly performance reporting • Calendar of committee meetings • Corporate Leadership Board meetings • Audit and Governance Committee Work

Principle 1 <i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	money and value for money in its use	Programme <ul style="list-style-type: none"> • External Audit Reports • Finance Reporting Centre/Collaborative Planning • Transparency Agenda
	1.3.3 Ensure that 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	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Quarterly performance reporting • Annual Statement of Accounts • External inspection of accounts • Internal audit reporting • Reports to Audit and Governance Committee, Cabinet and or Scrutiny • Central Finance Group (Portfolio Holder, S151 Officer and Senior Planning and Performance Managers)
	1.3.4 Ensure compliance with CIPFA’s The Prudential Code for Capital Finance in Local Authorities and CIPFA’s Treasury Management Code	<ul style="list-style-type: none"> • Treasury Management Strategy • Reports to Audit and Governance Committee, Cabinet and or Scrutiny

Principle 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
<p>2.1 Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p>	<p>2.1.1 Set out a clear statement of the respective roles and responsibilities of the Cabinet and the Cabinet members individually and the authority’s approach towards putting this into practice.</p>	<ul style="list-style-type: none"> • Constitution • Portfolio information available online
	<p>2.1.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers</p>	<ul style="list-style-type: none"> • Constitution • CEC Councillor information online • Committee structure available online • Corporate Structure available online
	<p>2.1.3 Ensure that the CFO (Chief Financial Officer –in this case the Chief Operating Officer (COO))reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.</p>	<ul style="list-style-type: none"> • Constitution • Structure Chart
<p>2.2 Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<p>2.2.1 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</p>	<ul style="list-style-type: none"> • Constitution • Finance Procedure Rules • Contract Procedure Rules • Financial and Local Schemes of Delegation
	<p>2.2.2 Make the Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management.</p>	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation
	<p>2.2.3 Ensure that the authority’s governance arrangements allow the CFO direct access to the CEO and to other leadership team members</p>	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation

Principle 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	<p>2.2.4 Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation
	<p>2.2.5 Make a senior officer (the Chief Operating Officer as Section 151 officer) 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.</p>	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation
	<p>2.2.6 ...whose core responsibilities include those set out in the “Statement on the Role of the CFO in Local Government” and ensure that they are properly understood throughout the authority</p> <p>Ensure that the CFO :</p> <ul style="list-style-type: none"> • leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively • has a line of professional accountability for finance staff throughout the organization • Ensure that budget calculations are robust and reserves adequate, in line with CIPFA’s guidance • Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role 	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation • Reports to Committees • Quarterly performance reporting to Cabinet • Schemes of Delegation (Financial and Non Financial) • Financial Reporting tools • Performance monitoring and reporting

Principle 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	<p>2.2.7 Make a senior officer (the Head of Legal Services and Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<ul style="list-style-type: none"> • Constitution • Financial and Local Schemes of Delegation • Reports to Committees • Schemes of Delegation (Financial and Non Financial)
<p>2.3 Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other</p>	<p>2.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles</p>	<ul style="list-style-type: none"> • Constitution • Member/Officer Code of Conduct
	<p>2.3.2 Set out terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective independent remuneration panel (for members)</p>	<ul style="list-style-type: none"> • Pay Policy Statement • Constitution • CLB Appraisal Board (for CLB)
	<p>2.3.3 Ensure that effective mechanisms exist to monitor service delivery</p>	<ul style="list-style-type: none"> • Quarterly performance reporting to Cabinet • Project Management Framework
	<p>2.3.4 Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust processes, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated</p>	<ul style="list-style-type: none"> • Sustainable Community Strategy • Three Year Plan • Annual Budget • Service Plans
	<p>2.3.5 Establish a medium term business planning process to deliver strategic objectives including:</p> <ul style="list-style-type: none"> • A medium term financial strategy to ensure sustainable finances • A robust annual budget that ensures financial balance 	<ul style="list-style-type: none"> • Three Year Plan/Medium Term Financial Strategy • Annual Budget setting process – debate at Council • Annual Budget set • Quarterly performance reporting to

Principle 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	<ul style="list-style-type: none"> • A monitoring process that enables scrutiny of delivery and supports appropriate mitigation for estimates that may vary in year. <p>Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used</p>	<ul style="list-style-type: none"> • Cabinet • Commissioning Plans • Budget and Policy Framework
	<p>2.3.6</p> <p>When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority</p>	<ul style="list-style-type: none"> • Project Management Framework • Contract/Specification/Accountable Body Agreement etc.
	<p>2.3.7</p> <p>When working in partnership:</p> <ul style="list-style-type: none"> • Ensure that there is clarity about the legal status of the partnership • Ensure that, when working in partnership, all parties understand and make clear the extent of the authority to bind their organisation to partner decisions 	<ul style="list-style-type: none"> • Project Management Framework • Contract/Specification/Accountable Body Agreement etc.

Principle 3 <i>Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	3.1.1 Ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect	<ul style="list-style-type: none"> ● Leader’s Report to Council ● Three Year Plan ● Staff and Members Code of Conduct ● “FIRST” values and behaviours <ul style="list-style-type: none"> ○ Flexibility ○ Innovation ○ Responsibility ○ Service ○ Teamwork
	3.1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	<ul style="list-style-type: none"> ● Staff and Member Code of Conducts/protocols
	3.1.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> ● Whistleblowing policy ● Equalities policies ● Declarations of interest ● Gifts and Hospitality declarations
3.2 Ensuring that organisational values are put into practice and are effective	3.2.1 Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	<ul style="list-style-type: none"> ● Adoption of “FIRST” values by Council ● Promotion through communications to staff, webpages, employee newsletter , staff roadshows and conferences ● Employee Recognition schemes ● Personal Development Reviews ● Media Hub

Principle 3 <i>Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	<p>3.2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</p>	<ul style="list-style-type: none"> • Corporate Assurance Group • Project Management Office and Processes
	<p>3.2.3 Ensure that systems and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice</p>	<ul style="list-style-type: none"> • Finance and Contract Procedure Rules • Constitution Committee
	<p>3.2.4 Develop and maintain an effective mechanism for dealing with standards issues</p>	<ul style="list-style-type: none"> • Role of the Monitoring Officer • Use of Audit and Governance Sub-Committee as required
	<p>3.2.5 Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</p>	<ul style="list-style-type: none"> • Constitution Committee – reviewing and updating the Constitution • Internal staff communications
	<p>3.2.6 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behaviour both individually and collectively</p>	<ul style="list-style-type: none"> • Constitution • Specific legal advice • Partnership Agreements

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
<p>4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</p>	<p>4.1.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible.</p>	<ul style="list-style-type: none"> • Scrutiny Committee Meetings
	<p>4.1.2 Ensure an effective internal audit function is resourced and maintained.</p>	<ul style="list-style-type: none"> • Internal Audit Annual Report • Reports to Audit and Governance Committee • External Assessment of the Internal Audit function in line with Public Sector Internal Audit Standards
	<p>4.1.3 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p>	<ul style="list-style-type: none"> • Project Management Framework • Committee Papers; Agenda and Minutes • Consultation Strategy
	<p>4.1.4 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</p>	<ul style="list-style-type: none"> • Staff Code of Conduct • Member Code of Conduct • Disclosure of Interests • Gifts and Hospitality Declaration • Committee Papers; Agenda and Minutes
	<p>4.1.5 Develop and maintain an effective audit committee (the Audit and Governance Committee) which is independent of the executive and scrutiny functions.</p>	<ul style="list-style-type: none"> • Audit and Governance Terms of Reference • Audit and Governance Committee Papers • Audit and Governance Committee Self Assessment • Audit and Governance

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
		Committee Annual report
	<p>4.1.6 Ensure that the authority’s governance arrangements allow the CFO direct access to the Audit and Governance Committee and External Audit</p>	<ul style="list-style-type: none"> • Constitution
	<p>4.1.7 Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</p>	<ul style="list-style-type: none"> • Complaints Procedure, including annual report to Audit & Governance Committee
<p>4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<p>4.2.1 Ensure those making decisions, whether for the authority or partnership, 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.</p>	<ul style="list-style-type: none"> • Project Management Framework • Quarterly performance reporting • Budget monitoring • Consultation Strategy
	<p>4.2.2 Ensure information provided on the financial performance of the organisation to budget managers and senior officers is well presented, timely, complete and accurate.</p>	<ul style="list-style-type: none"> • Financial Reporting Centre • Quarterly performance reporting • Financial reporting timetable • Finance Reporting Centre – guidance and ownership • Finance sign off for Committee Reports
	<p>4.2.3 Ensure that timely professional advice on matters that have legal or financial implications is available and recorded in advance of decision making and used appropriately.</p>	<ul style="list-style-type: none"> • Committee Paper’s require sign off by Monitoring Officer and Section 151 officer/deputies
	<p>4.2.4 Ensure the authority’s governance arrangements allow the CFO (COO) to bring influence to bear on all material decisions</p>	<ul style="list-style-type: none"> • Constitution; Scheme of Delegation to Officers • Constitution; Statutory and Proper Officer Provisions

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
	<p>4.2.5 Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance.</p>	<ul style="list-style-type: none"> • Quarterly performance reporting • Annual Statement of Accounts
<p>4.3 Ensuring that an effective risk management system is in place</p>	<p>4.3.1 Ensure that risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their job.</p>	<ul style="list-style-type: none"> • Corporate Risk Management Group reports to Audit & Governance Committee • Risk Management Strategy/Plan • Commissioning Plans • Individual Team/Service Plans
	<p>4.3.2 Ensure the authority’s arrangements for financial and internal control and for managing risk are addressed in annual governance reports.</p>	<ul style="list-style-type: none"> • Corporate Risk Management Group reports to Audit & Governance Committee • Internal Audit Annual Report
	<p>4.3.3 Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.</p>	<ul style="list-style-type: none"> • Finance and Contract Procedure Rules • Schemes of Local and Financial Delegation • Corporate Leadership Board; Scrutiny of procurement transactions • Internal Audit Reports • External Audit Reports
	<p>4.3.4 Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those in contracting with or appointed by the authority have access.</p>	<ul style="list-style-type: none"> • Whistleblowing Policy • Annual review of Whistleblowing Policy reported to Audit and Governance Committee
<p>4.4 Using their legal powers to the full</p>	<p>4.4.1 Actively recognise the limits of lawful activity placed on them by, for</p>	<ul style="list-style-type: none"> • TEG/EMB (PMO) • Committee paper sign off by

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes including;
benefit of the citizens and communities in their area	example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.	Monitoring Officer/deputies
	<p>4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</p>	<ul style="list-style-type: none"> • TEG/EMB (PMO) • Committee paper sign off by Monitoring Officer/deputies
	<p>4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision making processes.</p>	<ul style="list-style-type: none"> • TEG/EMB (PMO) • Committee paper sign off by Monitoring Officer/deputies

Principle 5 <i>Developing the capacity and capability of members and officers to be effective.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes;
5.1 Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles	5.1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	<ul style="list-style-type: none"> • Councils Training Programmes ('Towards Excellence' and 'The Management Institute of Excellence') including Induction training • Skills Audit • Personal Development Review Process includes regular review and update across the year
	5.1.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	<ul style="list-style-type: none"> • Phase 1-3 Management review 2013/14 • Personal Development Review framework
	5.1.3 Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role.	<ul style="list-style-type: none"> • Person specification and Job Description • Performance Feedback from Members and CLB as part of Personal Development Review
	5.1.4 Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	<ul style="list-style-type: none"> • Person specification and Job Description • Performance Feedback from Members and CLB as part of Personal Development Review
	5.1.5 Provide the finance function with the resources, expertise and systems necessary to perform its role effectively	<ul style="list-style-type: none"> • Finance Reporting Centre • Oracle and associated finance systems • Benchmarking Clubs • Project Management processes • Skills mapping and training plans
5.2 Developing the capability of people with governance responsibilities and evaluating their performance as	5.2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> • Personal Development Review framework • Members Skills audits

Principle 5 <i>Developing the capacity and capability of members and officers to be effective.</i>		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes;
individuals and as a group	5.2.2 Embed financial competencies in person specifications and appraisals.	<ul style="list-style-type: none"> • Person specification and Job Description • Personal Development Review framework
	5.2.3 Ensure that councillors’ roles and responsibilities for monitoring financial performance are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.	<ul style="list-style-type: none"> • Member training and skills development framework • Committee Terms of Reference
	5.2.4 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> • Member training and skills development framework
	5.2.5 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.	<ul style="list-style-type: none"> • Member training and skills development framework
5.3 Encouraging new talent for membership of the authority so that best use can be made of individuals’ skills and resources in balancing continuity and renewal	5.3.1 Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	<ul style="list-style-type: none"> • Employing young people framework e.g. graduates, apprentices, internships, work experience placements
	5.3.2 Ensure that career structures are in place for members and officers to encourage participation and development.	<ul style="list-style-type: none"> • Councils Training programmes (‘Towards Excellence’ and ‘The Management Institute of Excellence’).Personal Development Review framework • Professional career pathways

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.		
Supporting Principles	To meet the requirements of this Principle, Cheshire East Council will;	This will be evidenced by relevant systems, policies and processes;:
<p>6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and stakeholders, including partnerships, and develops constructive accountable relationships</p>	<p>6.1.1 Make clear to all staff and the community to whom they are accountable and for what.</p>	<ul style="list-style-type: none"> • Sustainable Community Strategy • Three Year Plan • Business Plans • Personal Development Review
	<p>6.1.2 Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.</p>	<ul style="list-style-type: none"> • Sustainable Community Strategy and Commissioning/Enabling Plans highlight the key stakeholder relationships for the Council • Variety of performance measures used to assess the effectiveness of relationships with partners, monitor delivery, identify and address concerns.
	<p>6.1.3 Produce an annual report on the activity of the scrutiny function and promote a regular dialogue between executive and scrutiny functions.</p>	<ul style="list-style-type: none"> • An Annual Report on the Scrutiny Function is taken to Council • Chairs and Vice Chairs of the Scrutiny Committees meet regularly with the relevant Portfolio Holder from Cabinet
<p>6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	<p>6.2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively</p>	<ul style="list-style-type: none"> • Daily media briefing; summary of local and national news items for Members and Officers • Communications Plans • Reputation Reports • Digital Influence Panel open to Cheshire East Residents
	<p>6.2.2 Hold meetings in public unless there are good reasons for confidentiality</p>	<ul style="list-style-type: none"> • Committee agendas identify items to be discussed in confidence. • Where agenda items are to be discussed in confidence, the relevant legislation is referenced.

	<p>6.2.3 Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<ul style="list-style-type: none"> • Citizen’s Influence Panel (Influence Cheshire East) • Digital Influence Panel • Business Intelligence • Research and Consultation team
	<p>6.2.4 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p>	<ul style="list-style-type: none"> • Consultation results available on CEC’s website • Citizen’s Influence Panel (Influence Cheshire East) • Digital Influence Panel
	<p>6.2.5 On an annual basis, publish information on the authority’s vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p>	<ul style="list-style-type: none"> • Three Year Plan • Annual Budget • Annual Statement of Accounts • Annual Governance Statement
	<p>6.2.6 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnership, subject only to those specific circumstances where it is proper and appropriate to do so.</p>	<ul style="list-style-type: none"> • Pay policy statement • Transparency portal • Opportunity for public speaking provided in Committee Meetings • Variety of communication channels available; Customer Service Centres, Online Reporting and Forms, Social Media and Customer Call Centres • Acceptance of paper/online petitions • Publication Scheme/Compliance with the Local Government Transparency Code 2015
<p>6.3 Ensure that our staff are engaged in the objectives and ethos of the organisation</p>	<p>6.3.1 Ensure that staff is fully informed and have an opportunity to feedback with comments and suggestions.</p>	<ul style="list-style-type: none"> • Internal communications, conferences and events • Staff Survey

Document Control

Revision History

Version	Date	Summary of changes	Made by	Approved by
1.0	19/11/2009	Original Code of Corporate Governance	Governance Group	Governance and Constitution Committee 19/11/2009
1.1	17/11/2010	Revised to take account of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s 'Application Note to Delivering Good Governance in Local Government: a Framework'	Corporate Governance Group	Audit and Governance Committee 17/11/2010
1.2	27/09/2012	Updated to reflect title changes, deleting references to "Use of Resources" (no longer applicable) and to align to Business Planning Process. Additional inclusion requested by Audit and Governance Committee included.	Corporate Governance Group	Audit and Governance Committee 27/09/2012
1.3	28/11/2013	Revision of the introduction to the Code and re-formatting of the Code's layout to make it more user friendly. Changes in title e.g. "Chief Operating Officer" replaces "Director of Finance and Business Services"	Corporate Governance Group	Audit and Governance Committee 28/11/2013
2.0	25/06/2015	Expansion of the introduction to provide greater clarity on the purpose of the Code. Inclusion of evidence sources, which can be used to demonstrate how the Council achieves compliance with its Code	Corporate Assurance Group	

Communication/Distribution

Name Title	Date of Issue	Version
All staff – CEntranet Corporate Policy List http://centranet.ourcheshire.cccusers.com/council/policies/Pages/CorporatePolicies.aspx	December 2013	1.3
Cheshire East Website http://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance.aspx	December 2013	1.3

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 25 June 2015
Report of: Audit Manager
Title: Work Plan 2015/16
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

1.0 The report presents an updated Work Plan (Appendix A) along with details of the various Committee Member/Officer Groups for consideration.

2.0 Recommendation

2.1 That the Committee:

- review the role and membership of the specialist Member/Officer Groups;
- consider the Work Plan and determine any required amendments; and
- note that the plan will be brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

3.1 The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises 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

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

8.0 Legal Implications

8.1 The Accounts and Audit Regulations 2015 revoke the Accounts and Audit Regulations 2011 (S.I. 2011/817), although those regulations continue to have effect in relation to financial years ending on or before 31st March 2015.

8.2 The Work Plan for 2015/16 will, therefore, need to take account of the requirements of the Accounts and Audit (England) Regulations 2011 and The Accounts and Audit Regulations 2015.

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

Member/Officer Groups

- 10.2 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.
- 10.3 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.
- 10.4 The table below shows the respective Groups and Member representation following the changes made to the membership of the Audit and Governance Committee at the Annual Meeting of the Council on 27 May 2015:

Group	Councillor/s
Audit	Corcoran & Hardy
Corporate Governance & Annual Governance Statement	None
Financial Statements	Corcoran & Hardy
Fraud	None
Risk Management	Fletcher & Kolker
Standards Work Group.	Hardy & Marren, 2 places vacant.

- 10.5 Members are, therefore, asked to consider the role and composition of the specialist Groups going forward.

Work Plan 2015/16

- 10.6 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 (Appendix A) and establish any amendments that will enable it to meet its responsibilities. In doing so it should be noted that the following changes have been made to the programme that was discussed in March 2015:
- The Annual Internal Audit Report includes a summary of the work undertaken throughout 2014/15 on the Council's Risk Management arrangements. A separate Annual Report of the Corporate Assurance Group has, therefore, been removed from the June

agenda. The update of the Risk Management Policy has also been deferred until September.

- A presentation on the procedure for review of draft Ombudsman Reports prior to publication and the findings of the recent investigation into brown wheelie bins has been included on the June Agenda at the request of Members.

10.7 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

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

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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Email: jon.robinson@cheshireeast.gov.uk

Work Plan 2015/16

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
25 June 2015			
Introduction to the Work of the Committee.	For Members' information, the Committee's terms of reference are attached.	All	
Audit and Governance Committee Update for Cheshire East Council.	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors. The paper also includes a summary of emerging national issues and developments.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Internal Audit Annual Report 2014/15.	Opinion on the overall adequacy and effectiveness of the Council's control environment for 2014/15.	24	<p>To consider the head of internal audit's annual report:</p> <p>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.</p> <p>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.</p>

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Draft Annual Governance Statement (AGS) 2014/15.	Draft AGS 2014/15 for review and comment; final version to be approved at September meeting alongside the 2014/15 financial statements.	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.
Pre-Audit Statement of Accounts 2014/15.	This report introduces the 2014/15 pre-audit statement of accounts.	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.
Whistleblowing Arrangements.	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 2014/15.	40	To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption.
Code of Corporate	To provide the Committee with a revised	6	To review the Council's corporate governance

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Governance – Review and Update	Code of Corporate Governance.		arrangements against the good governance framework and consider annual governance reports and assurances
Ombudsman Complaints	Presentation on the procedure for review of draft Ombudsman reports prior to publication, to include the findings of the recent investigation into brown wheelie bins.	41	To seek assurance that customer complaint arrangements are robust. At the request of Members in March 2015.
Work Plan.	Forward looking programme of meetings and agenda items for 2015/16 to ensure comprehensive coverage of the Committee's responsibilities.	All	
24 Sept 2015			
External Audit – Audit Findings Report 2014/15	Summary of findings from the 2014/15 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.
		31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
2014/15 Audit Findings and Action Plan	This report sets out the management response to the 2014/15 Audit Findings Report presented by Grant Thornton to the	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
	Audit & Governance Committee.		
Statement of Accounts 2014/15 Audited	Approval of the Audited 2014/15 Statement of Accounts.	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 2014/15	AGS 2014/15 for approval alongside the financial statements.	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
Annual Report 2014/15	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.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		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>
Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2014-2015	Summary of formal feedback received from customers during 2014/15 together with a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for 2014/15.	41	To seek assurance that customer complaint arrangements are robust.
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.
Risk Management	A report on a review of the Risk	10	To monitor the effective development and operation of risk

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Policy Review.	Management Policy.		management in the council.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 2015/16	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 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

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
			as requested.
Members' Code of Conduct: Standards Report	The report gives details of the numbers and outcomes of complaints under the Code of Conduct for Members between the period March and August 2015.	5	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).
Review of processes for considering complaints that Members have breached the Code of Conduct	The results of a review carried out 12 months after implementation of revised arrangements for assessing and considering Member complaints.	5	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).
Assurance Framework – Health and Wellbeing	A presentation considering the assurance framework for Health and Wellbeing.		At the request of Members in March 2015.
Work Plan	Review of 2015/16 Work Plan to ensure comprehensive coverage of the Committee's responsibilities	All	
<i>It should be noted that the following items will be presented to the Committee but has not, as yet, been allocated to a specific agenda</i>			
Schools Accounting.	Training on accounting and audit issues in respect of school land and buildings on local authority balance sheets.		At the request of Members in January 2015.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Performance Management Arrangements.	<p>Receive a briefing to better understand the Council's performance management arrangements.</p> <p>The focus will be on financial reporting and financial governance rather than on wider issues of performance and spending priorities.</p>		At the request of Members in January 2015.
Assessment of the Committee against the core knowledge and skills framework.	<p>Members of the Committee to be assessed against CIPFA's core knowledge and skills framework.</p> <p><i>Process to be looked at in more detail by the Chairman and Vice Chairman prior to placing on the Committee's agenda.</i></p>		At the request of Members in March 2015.
Audit Committee self- assessment update.	A report giving an update on the progress of the actions arising from the 2014/15 self-assessment.		At the request of Members in March 2015.
<i>It should be noted that the following item may require reports to the Committee but has not, as yet, been allocated to a specific agenda</i>			
Value for Money Arrangements.	Assurance with regard to both the arrangements to ensure value for money and the progress in achieving value for money.		<p>At the request of Members in March 2015.</p> <p>Subject to an exercise to benchmark what assurance other Audit Committees receive. Future reporting requirements will also be determined in the context of what other Committees of the Council are doing.</p>