

Audit and Governance Committee

Agenda

Date:	Thursday, 1st June, 2017
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.

It should be noted that Part 1 items of Cheshire East Council decision making and Overview and Scrutiny meetings are audio recorded and the recordings will be uploaded to the Council's website.

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 5 - 12)

To approve the minutes of the meeting held on 16 March 2017 as a correct record.

5. **External Audit Progress and Update Report** (Pages 13 - 36)

To consider the report for the year ended 31 March 2017, and the planned fee letter for 2017/18.

6. **Internal Audit Annual Report 2016/17** (Pages 37 - 58)

To consider a report on the overall adequacy and effectiveness of the Council's control environment for 2016/17.

7. **Draft Annual Governance Statement 2016/17**

Report to follow.

8. **Draft Pre-Audit Statement of Accounts 2016/17** (Pages 59 - 62)

To consider a summary of the 2016/17 Statements of Accounts for the Cheshire East Group.

9. **Risk Management Update Report** (Pages 63 - 76)

To consider the update report on risk management.

10. **Audit and Governance Committee Self-Assessment** (Pages 77 - 98)

To consider the self-assessment carried out by the Chair and the Vice-Chair and to determine any required amendments.

11. **Notice of Motion - Membership of Freemasons** (Pages 99 - 104)

To consider a response to the Notice of Motion submitted at the meeting of the Council on 15 December 2016.

12. **Work Plan** (Pages 105 - 118)

To consider the Committee Work Plan and any required amendments.

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 16th March, 2017 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)
Councillor D Marren (Vice-Chairman)

Councillors S Corcoran, L Gilbert, A Kolker, N Mannion, Nicholas, M Sewart,
M Simon and A Stott

Councillors in attendance:

Councillors C Andrew and P Findlow

Officers in attendance:

Suzanne Antrobus	Legal Team Manager
Joanne Butler	Business Manager
Peter Bates	Chief Operating Officer
Janet Ellison-Jones	Procurement Category Manager
Lorraine Goude	Interim Director of Commissioning
Josie Griffiths	Principal Auditor, Shared Services and Partnerships
Guy Kilminster	Corporate Manager Health Improvement
Steve Mellor	Procurement Category Manager
Gareth Pawlett	Corporate Manager ICT
Sandra Smith	Customer Relations and Compliance Manager
Keith Sutton	ICT Security Project Manager
Helen Sweeney	Senior Customer Relations and Compliance Manager
Alex Thompson	Head of Finance and Performance
Michael Todd	Principal Auditor Fraud
Steve Wilcock	Finance Lead

External Auditor

Alison Rhodes of Grant Thornton

58 APOLOGIES FOR ABSENCE

There were no apologies for absence.

59 DECLARATIONS OF INTEREST

Councillor D Marren declared a personal interest by virtue of being Chair of Orbitas Bereavement Services.

60 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

61 MINUTES OF PREVIOUS MEETING

An amendment was made to the preamble of Minute 48 (Internal Audit Interim Report 2016/17 and Internal Audit Charter) to reflect that the Internal Audit Charter was withdrawn from discussion prior to the meeting.

RESOLVED

That the minutes of the meeting held on 8 December 2016 be approved subject to the addition of the following wording to the preamble of Minute 48 (Internal Audit Interim Report 2016/17 and Internal Audit Charter) *'The Committee was advised that the Internal Audit Charter had been withdrawn from discussion at this meeting'*.

62 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE - UPDATE

Philip Gardener was introduced to the Committee as the newly Co-opted Independent Member on the Committee. The person specification and role had been drawn up in accordance with best practice from other authorities and the Chartered Institute of Public Finance and Accountancy.

RESOLVED

That approval be given to Philip Gardener as the Co-opted Independent Member on the Audit and Governance Committee.

63 GRANT THORNTON 2016/17 AUDIT PLAN FOR CHESHIRE EAST COUNCIL

Consideration was given to the Audit Plan for the year ending 31 March 2017 setting out the work to be carried out by Grant Thornton the Council's External Auditors. Alison Rhodes from Grant Thornton outlined the work detailed in the Appendix to the report and it was confirmed that the results of interim work carried out to date had not found any particular issues that needed to be highlighted to the Committee at this time.

RESOLVED

That the Audit Plan for 2016/17 be received

64 EXTERNAL AUDIT RISK ASSESSMENT FOR CHESHIRE EAST

The Committee considered the management's response to a series of questions posed by the External Auditor as part of the effective two way communications between the auditors and the Committee. Included were areas of risk assessment covering fraud, laws and regulations, going concern, accounting estimates and related party transactions.

With reference to financial resilience and projected significant funding gaps, a Member asked if this could be amended in the light of the Council having a balanced budget. The Committee was advised that it needed to remain as the financial challenge from Central Government was ongoing and that the risk would, therefore, remain for a considerable time ahead.

RESOLVED

That the report be noted.

65 RISK MANAGEMENT UPDATE

The Committee considered this report on the most significant corporate risks to achieving the Council's desired outcomes in the Corporate Plan 2016-20. The report indicated those areas where it was considered new risks would arise, and also the resulting opportunities; there had been no significant movement in the risks since the previous update.

In addition, and in accordance with the request made at the last meeting, the risk owners of the two highest corporate risks attended the meeting to explain their specific risks and threats further. In considering the factors contributing to the position in CR1 (Increased Demand for People Services) a discussion ensued on the associated impact on CR3 (Financial Resilience) as demand for services continued to increase. Whilst Officers considered this to be significant it was also acknowledged it could change rapidly, and also decrease, in response to national, regional and local pressures and that as a result the score in the table of risks should be reduced slightly. The articulation of the risk description would be updated to reflect the current position.

The causes of the risks for CR2 (NHS Funding and the Sustainability and Transformation Plan) were explained with reference to the financial impact, health inequality and the provision of services. The Committee was advised of future planned actions.

For the next meeting of the Committee Members asked for briefings to be given on the risks in respect of Brexit.

RESOLVED

1. That the report be noted.
2. That a briefing on Brexit be provided at the next meeting of the Committee.

66 MEMBERS CODE OF CONDUCT STANDARDS REPORT

The Committee considered a report on the number of complaints received under the Code of Conduct for Members and considered by the Director of Legal Services in his capacity as Monitoring Officer. The report divided the numbers between those against Cheshire East Councillors and those against Town/Parish Councillors for the period 1 September 2016 – 28 February 2017.

RESOLVED

That the report be noted.

67 COMPLIANCE WITH DATA PROTECTION ACT (1988), FREEDOM OF INFORMATION ACT (2000) AND ENVIRONMENTAL INFORMATION REGULATIONS (2004)

Consideration was given to an update on the performance of the Council in responding to requests under the above Acts. In addition information was given on changes to data protection regulations due to come into force on 25 May 2018.

RESOLVED

That the performance of the Council in responding to requests for information, and the ongoing and future events, be noted.

68 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT (2000) (RIPA)

A report had been prepared to update the Committee on the arrangements in place, and on how the Council had complied with RIPA legislation during 2016/17. It also detailed the number of applications authorised to date.

RESOLVED

That the report be noted.

69 INFORMATION GOVERNANCE UPDATE

The Committee received a presentation on the rise of global cyber threats, malware attacks and on the Council's Data Classification tool. It was informed that the incidence of such attacks was growing worldwide but by the introduction of layered security, the careful protection of data, and ongoing awareness training, major problems had been averted across Cheshire East and Cheshire West and Chester Councils.

Some of the specific systems in operation were explained further and Members were advised these were continually evolving, being assessed and reviewed in continuing efforts to protect both data and users.

RESOLVED

That the presentation be noted.

70 INTERNAL AUDIT INTERIM REPORT 2016/17

Consideration was given to an update on progress against the Internal Audit Plan 2016/17, and to the work undertaken between October and December 2016. In considering ongoing work it was reported that as agreed at the December 2016 Committee terms of reference for a new procurement audit had been produced to provide assurance that current arrangements were appropriate and effective. These had been shared with both the External Auditor and the Senior Investigating Officer for the ongoing police investigation; the audit was reported to be underway and expected to be completed by the end of the month.

In discussing the progress of the procurement review reference was made to a recent Cabinet report prepared by the Reassurance Group on the outcome of

work to provide assurance that the wellbeing of staff was aligned to best practice and organisational values. Some members expressed concern at statistics in the report related to bullying and asked for further investigations to be made. The Portfolio Holder disagreed with their interpretation of the statistics and further advice was given that there were procedures in place to deal with such concerns. In addition the current investigations needed to be allowed to report back with their findings at which time any further appropriate action could be considered by the Committee.

RESOLVED

That the report be noted and the approach to achieving adequate audit coverage in the remainder of 2016/17 be endorsed.

71 INTERNAL AUDIT PLAN 2016/17

The Committee considered the Internal Audit Plan for 2017/18 taking into account whether the scale and breadth of activity was sufficient to allow internal audit to provide an independent and objective audit opinion that could be used to inform the Annual Governance Statement, the level of resources, and whether the level of non- assurance work had an impact on core assurance work.

The Committee discussed the independence of Internal Audit and asked for further consideration to be given as to who was the most appropriate Portfolio Holder for the service; currently it rested with the Leader of the Council. The Portfolio Holder for Corporate Policy and Legal Services agreed to ask Cabinet to consider this further.

Consideration was given to the relationship between the Internal Audit Plan and the Committee Work Plan and it was agreed that an item be placed on the latter for Internal Audit to complete its own procurement audit at the conclusion of any criminal investigation.

RESOLVED

1. That the Summary Internal Audit Plan 2017/18, shown in Appendix A of the report, be approved.
2. It be noted that the plan will be developed and refined throughout the coming year as a number of factors progress and the impact on the level of audit resource becomes known.
3. That Cabinet be asked to consider further the most appropriate Portfolio Holder for the for the internal audit service.
4. That an item be added to the Committee Work Plan for internal audit to complete its halted procurement audit at the conclusion of any Criminal Investigation.

72 ASDV GOVERNANCE ARRANGEMENTS

Councillor D Marren had declared an interest in this item. At the commencement of this item Councillor A Kolker declared a personal interest by virtue of being Chair of Everybody Sport and Leisure, and of being Chair of Civcance.

The Committee received a presentation on the arrangements in place to ensure the Council's ASDVs were subject to appropriate governance and that controls were in place to manage risk. At present the ASDVs comprised an independent Charitable Trust ESAR (Everybody Sport and Recreation), a wholly owned company Tatton Park Enterprises Ltd, and a holding company Cheshire East Residents First Ltd (CERF) which held an 80% shareholding in ANSA, Orbitas, Transport Service Solutions, The Skills and Growth Company, Civicance, and Engine of the North.

Members were advised on the governance framework for ESAR and that this differed from that for the owned companies which included Articles of Association, the Directors Mandate and the Shareholders Agreement and their respective arrangements with the Council and with (CERF), with monitoring and oversight of performance and financial performance.

The Committee was advised that the companies had performed very successfully so far from the aspects of both service and finance and this was the time to review their further development. A review of CERF was underway and included looking at the appropriateness of the governance arrangements to ascertain the optimum governance approach for the ASDVs in the light of experience to date.

RESOLVED

That the presentation be received.

73 WORK PLAN 2016/17

Consideration was given to the Committees Work Plan. Earlier in the meeting (Minute 71 refers) it was agreed that item be added for Internal Audit to complete its own procurement audit at the conclusion of any criminal investigation.

RESOLVED

That the Work Plan be approved subject to the above addition.

74 WAIVERS AND NON ADHERENCE NOTIFICATIONS

Consideration was given to a report on the quantity and reasons for Waiver and Non Adherences (WARNs) approved between 1 November 2016 and 31 January 2017. The Committee was informed that non adherences had increased due to the control mechanisms now in place that enabled the procurement function to capture non compliance within services, the workflow threshold having decreased from £10k to £5k. The number of waivers had decreased largely as result of the new contract for consultancy NEPRO (North East Purchasing Organisation) and an explanation was given of how this operated.

RESOLVED

That the report be noted.

75 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

76 WAIVERS AND NON ADHERENCE NOTIFICATIONS

The Committee considered details of the approved WARNs issued between 1 November 2016 and 31 January 2017.

The meeting commenced at 2.00 pm and concluded at 5.50 pm

Councillor G Baxendale (Chairman)

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 1st June 2017
Report of: Director of Finance and Procurement
Subject/Title: Grant Thornton ~ Progress and Update Report
Portfolio Holder: Councillor Paul Bates

1.0 Report Summary

- 1.1 The progress and update report from Grant Thornton for the year ended 31st March 2017 and the planned fee letter for 2017/18 are provided as Appendices to this report.

2.0 Recommendation

- 2.1 That members receive and comment on the report and the planned fee letter.

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 Financial Implications

- 7.1 The level of fees for the audit work specified by the external auditors will be met from within the existing revenue budget.

8.0 Legal Implications

- 8.1 None.

9.0 Risk Management

- 9.1 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.

10.0 Background and Options

- 10.1 Grant Thornton has been appointed as the Council's independent external auditors by the Audit Commission. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 10.2 The 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.
- 10.3 Grant Thornton completed an interim audit in March and will commence their final accounts audit work on 5th June 2017; progress on their work to date is set out on pages 4 - 6 of the report.
- 10.4 The report also provides an update on progress to date on the Value for Money conclusion.
- 10.5 Grant Thornton will be attending the meeting to answer any questions raised by members on the report.

11.0 Access to Information

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

Name: Joanne Wilcox
Designation: Financial Strategy & Reporting Manager
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Appendices

Appendix 1 – Grant Thornton Progress and Update Report for 2016/17

Appendix 2 – Audit Fee Letter for 2017/18

Audit and Governance Committee Progress and Update Report for Cheshire East Council

Year ended 31 March 2017

18 May 2016

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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.

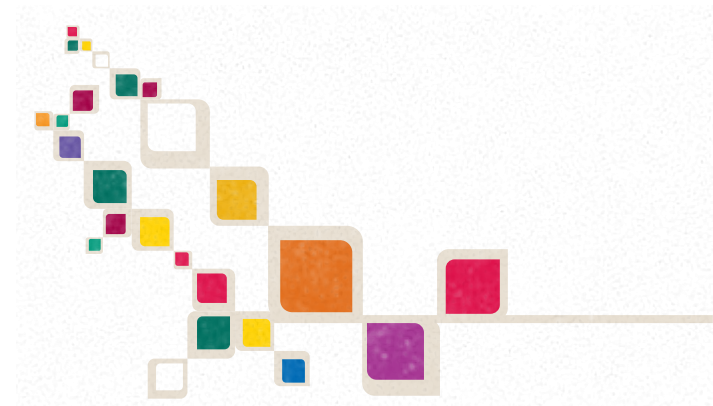
Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

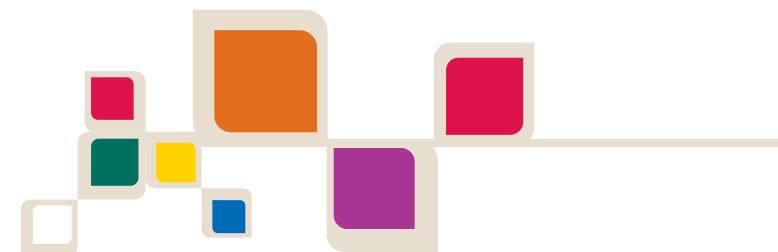
Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services (March 2016); <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; (April 2017) <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government-transitioning-successfully/>

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 Engagement Manager.

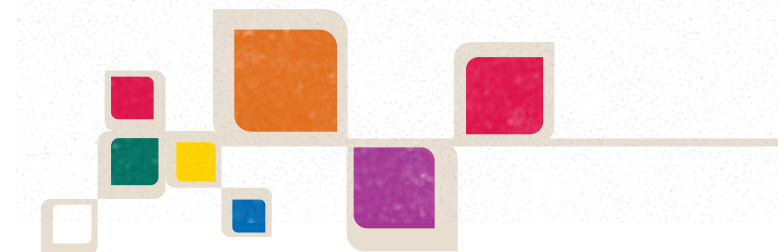


Progress at 18 May 2017



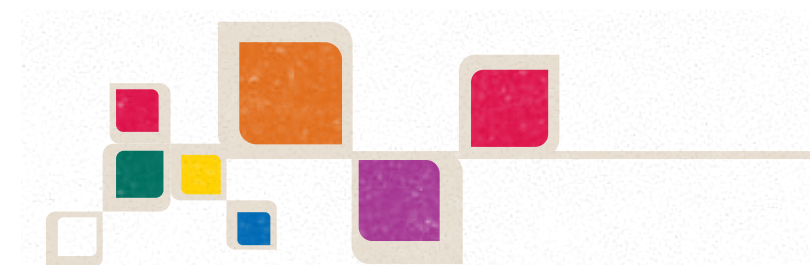
2016/17 work	Progress	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	Issued April 2016	We have also recently issued the fee letter for 2017/18, with no change to the fee proposed. This is reported to this meeting of the Audit and Governance committee.
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 2016/17 financial statements.	Issued March 2017	This was presented to the Audit and Governance Committee in March.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	Completed March 2017	We reported some audit findings from our first block of fieldwork in our Audit Plan in March. Some further findings from our second audit visit are included in this update report at page 6. As part of our formal communication between auditors and the Council's Audit and Governance Committee, as 'those charged with governance' we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. This was also presented to the Audit and Governance Committee in March.

Progress at 18 May 2017



2016/17 work	Progress	Comments
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	Planned for June - July	<p>We are planning to complete our fieldwork and report our findings to management by the end of July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have provided a schedule of the working papers that we expect and discussed the implications of emerging accounting matters with finance staff.</p> <p>The Audit and Governance Committee is to meet to approve the financial statements and to consider our Audit Findings Report on 3 August. This is well in advance of the deadline of 30 September 2017.</p>
Value for Money (VfM) conclusion The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	Planned for June - July	<p>We have set out the result of our risk assessment and the proposed focus of our work at pages 7-10</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements.</p>
Other areas of work We provide a range of workshops, along with network events for members and publications to support the Council.	Ongoing	<p>Finance staff attended our workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of our publications that may be of interest to the Council are set out from page 16.</p>

Results of interim audit work



We reported the findings of our interim audit work and the impact of our findings on the accounts audit approach, in our audit plan in March 2017. Additional findings are summarised below.

Work performed		Conclusion
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Further work will be completed at the accounts visit to extract journals with 'unusual' criteria for detailed review.
IT controls	Our information systems specialists will perform a review of the general IT control environment, as part of the overall review of the internal controls system. As part of this review we will follow up any issues raised last year. The review also considers the specific controls over the Oracle system.	We reported in our audit plan that this work was to take place in March 2017, however at the request of Cheshire East ICT Services, we have postponed this work until May 2017. The initial data has been submitted by the Council. We will provide management with the detailed findings of this review and report a summary as part of our Audit Findings Report.
Employee remuneration	We have now extended our sample testing to cover the payroll transactions through to month 12. We have tested a sample of items of payroll expenditure from months 1 to 12 to source documents and to contract documentation to confirm the accuracy of pay.	Our work has not identified any issues that we wish to highlight for your attention at this stage. Further work will be carried out at our accounts audit visit, to review the completeness of the payroll reconciliation between the subsidiary system and the ledger.
Operating expenditure	We have extended our initial sample of operating expenses through to month 11 to ensure they are valid expenses and have been accurately accounted for in the correct period.	Our work has not identified any issues that we wish to highlight for your attention at this stage. Further testing will be carried out at our accounts audit visit.
Opening balances	We have confirmed that the opening balances brought into the general ledger for 2016/17 are in agreement with the audited balance sheet for 2015/16.	No matters to bring to your attention.
Other areas	We have also begun our work in areas of grant income, property plant and equipment and housing benefits.	Our work has not identified any issues that we wish to highlight for your attention at this stage.

Value for Money

Background

As we described in our Audit Plan, The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that NHS bodies have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out in the table to the right.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Since the time of our initial VFM risk assessment, there have been a number of changes to the Executive Leadership Team affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer.

We need to understand the background and circumstances of each of these changes to evaluate whether there are implications for our audit. We also need to consider whether 3 key officer changes represents a risk to the Council's ability to deliver its services.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report

Value for money (continued)

We have set out below, the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
The Council has historically managed its finances well and has consistently achieved financial targets. It is forecasting a small overspend of 0.7% of £1.7m (<i>at the time of the auditor's risk assessment in March 2017</i>). This is affected by the impact of demand led services, such as the cost pressures experienced in Adults and Children's care services.	This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.	We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of budgetary information and discussion with key officers
With underlying financial deficits in the NHS, and the new five-year Sustainability and Transformation Plan (STP) now submitted, we need to understand the arrangements that the Council has to contribute to this process and to mitigate the risks to its resources. Working with partners from different organisations and service areas with potentially conflicting priorities, and particular financial challenges means that projects are increasingly complex and high profile.	This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.	We propose to gain an understanding of the role that the Council is playing to contribute to change in the local health economy. We will discuss this with key officers and review the project management and assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.

Value for money (continued)

Significant risk	Link to sub-criteria	Work proposed to address
The Council commissions services from a range of different delivery models, including an increasing number of companies, the leisure trust and a return to shared services. The Council's arrangements to monitor the performance and governance of these 'alternative service delivery vehicles' remains important to the effective delivery of its objectives.	This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.	We will discuss with key officers and review the Council's project management and risk assurance frameworks to confirm that these are developed to keep pace with the further changes in the Council's operations.
The Council's progress in maximising the benefits of HS2 and other major infrastructure initiatives and the way in which the Council is engaging with partners in the Northern Gateway Development Zone is an area that is of public interest. On the basis that we don't know much about these developments, this is highlighted as a significant risk in order that we can be assured that the Council has appropriate arrangements in place.	This links to the Council's arrangements for planning finances effectively to maintain statutory functions and to manage and utilise assets effectively to support the delivery of strategic priorities.	We will discuss with key officers and review any documents to assess the Council's approach to this engagement.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter

We will include our conclusion as part of our report on your financial statements.

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Delivering Good Governance

In April 2016, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

Technical Matters

Highways network asset

Statement issued by CIPFA/LASAAC on the Implementation of the Highways Network Asset Code into the Financial Reporting Requirements of Local Authorities:

At its meeting on the March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities. The Board recognises the work undertaken by accounts preparers, auditors and highways engineers in preparing for the planned changes and would encourage continued improvement of the management of the highways network asset through better inventory and cost information..

Local Government Finance Settlement

National developments

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

100% business rates retention

The announcement has an increased focus on business rates, with the expectation that local government will, at some point in the future, keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey **2017 State of Local Government Finance** were published in February.

http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again be able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

Paul Dossett Head of Local Government in Grant Thornton LLP

has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax. ...Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

"Social care precept changes will not help those living in more deprived areas"

"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation
- having a responsible investment strategy
- reporting to employers and members

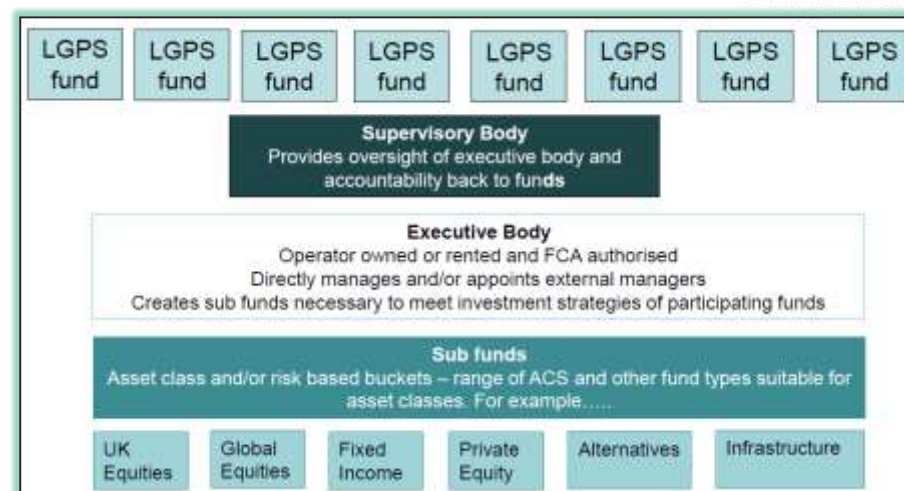
Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

CIPFA in the recent article *Clear pools: the future of the LGPS* highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

The CIPFA article is available at:
Link: <http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps/>



typical structure of
LGPS Pool

Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

For local authorities, the government is:

- offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure;
- will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
- is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

National developments

- Have members been briefed on the White Paper and the implications for your statutory housing function?

Consultation on the White Paper recently closed on 2 May 2017.

The White Paper is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



Income generation

This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation.

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020 that requires. With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency of service delivery.

Local leaders are ready to be more commercial, and our report gives them the tools to maximise their ability to generate income and develop their income generation strategies by providing the following:

- Case study examples
- Local authority spend analysis, Councils' business case for change - Amidst financial pressures, councils must generate income to keep delivering the best services for their area.
- Examples of innovative financial mechanisms, learning from innovative income generation practices - Innovation is key to addressing the public sector's challenges and making the most of the available opportunities.
- Critical success factors to consider - Local authorities have opportunities to generate additional income in many ways. However, understanding the needs of the area and the capabilities of their authority to ensure they select the most suitable option is key.

Our new research on income generation suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

Grant Thornton update

[Download the income generation report here](http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/)
<http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>

Apprentice Levy-Are you prepared?

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England has changed. Some employers are required to pay a new apprenticeship levy, and there are changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can we spend the levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

Grant Thornton update

Issues to consider:

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of the current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in the organisation structured?
- How do we develop and align to our workforce development strategy



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24 April 2017

Dear Peter

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £154,590.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

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A list of members is available from our registered office.

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Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2017	38,647.50
December 2017	38,647.50
March 2018	38,647.50
June 2018	38,647.50
Total	154,590.00
Housing Benefit Certification	
March 2018	TBC

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to March 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July, followed by work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2017 – March 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June – July 2018	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	December – July 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August/September 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June - December 2018	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Jon Roberts	0121 232 5410	jon.roberts@uk.gt.com
Engagement Manager	Allison Rhodes	0121 232 5285	allison.rhodes@uk.gt.com
In Charge Auditor	Lisa Morrey	0121 232 5302	lisa.morrey@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, mark.c.stocks@uk.gt.com.

Yours sincerely

Jon Roberts

Engagement Lead
For Grant Thornton UK LLP

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 1st June 2017
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Annual Report 2016/17
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with the Annual Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment for 2016/17. 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 2016/17; and
 - ii) Note the Internal Audit opinion on the Council's framework of risk management, control and governance for 2016/17.

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 writers:

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Designation: Principal Auditor

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Internal Audit Annual Report 2016-17

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Cheshire East Council

Sandbach CW11 1HZ

Cheshire East Council - Internal Audit Annual Report 2016/17

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 As set out in the PSIAS, the Council's Corporate Manager Governance and Audit must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
- 1.3 It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification;
 - disclosure of any impairments ('in fact or appearance') or restriction in scope
 - a comparison of the work actually undertaken with the work that was planned and a summary of the

performance of the internal audit function against its performance measures and target;

- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

- 1.4 This report has been prepared by the Council's Principal Auditors as the Corporate Manager Governance and Audit has recently left the Council following an extended period of absence. Support and sign off has been provided by the Director of Finance and Procurement who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.

2 Background and Context

- 2.1 In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the medium term financial strategy.
- 2.2 Expected gross expenditure in 2016/17 by the Council was £583m, with a capital programme of £183.7m. This annual expenditure supports service delivery to over 370,000 residents, in line with our 5 stated outcomes for residents.

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- 2.3 During 2016/17 the Council continued to develop innovative solutions for service delivery including setting up a further Alternative Service Delivery Vehicle (ASDV) as part of the remodelling of services to provide the best possible outcomes for the residents of Cheshire East at a competitive price.
- 2.4 The Council's 2016/17 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas.
- 2.5 In preparing, reviewing and updating the plan during the year, the following were taken into account:
- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
 - Internal Audit's own risk assessment.
 - Cheshire East Council's Corporate Plan 2016-2020.
 - Consultation with key stakeholders e.g. Corporate Leadership Team (CLT), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.
- 2.6 Staffing resource for Internal Audit has been limited during 2016/17. This was due to the long term absence of the Corporate Manager Governance and Audit and the vacant Audit Manager post. This situation has required the Principal Auditors to carry out the senior

management roles within the team and as a result there was a reduction in capacity to carry out audit assignments and for the review and quality assurance of audits completed by the rest of the team.

- 2.7 Despite this reduction in audit resource, the team has delivered sufficient coverage, to the appropriate standard, to enable an informed opinion to be provided on the control environment.

3 Opinion on the Control Environment

- 3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 3.2 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 3.3 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that

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the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.

- 3.4 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 and improvement programme is implemented. This has increased the challenges to the internal control environment with changes to staffing structures and delivery models.
- 3.5 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.

Internal Audit Opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as Adequate for 2016/17.

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

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

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4 Summary of Audit Work 2016/17

- 4.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly.
- 4.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Corporate Manager Governance and Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of audit activity is sufficient to allow Internal 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.
 - In preparing the risk based plan for 2016/17 Internal Audit consult with the CLT and the Audit and Governance Committee. They also consider:
 - the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
 - their own risk assessment;
 - the Council's Corporate Plan 2016-2020; 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.
- 4.4 The plan is broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
 - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.5 The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both CLT and the Audit and Governance Committee.
- 4.6 Interim reports on progress against the Internal Audit Plan and work carried out by the team were presented to Audit and Governance Committee in December 2016 and March 2017.
- 4.7 A summary comparison of the 2016/17 Audit Plan with actuals for the year is shown on page 5.

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- 4.8 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 against actual 2016/17

Area of Plan		Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1458		1250		Reflects absence of Corporate Manager Governance and Audit and vacant Audit Manager post.
Less: Corporate Work		420		266		Includes operational risk management duties
Available Audit Days:		1038	100	984	100	
Corporate Governance and Risk		87	8	108	11	Reflects higher than anticipated involvement in cross-cutting activity and producing Committee reports
Anti-Fraud and Corruption	Proactive Reviews	75	7	81	8	Broadly as planned
	Reactive Investigations	30	3	79	8	Not possible to accurately predict the level of reactive work
Chief Operating Officer (COO)	Key Financial Systems	250	24	156	16	Lighter touch reviews completed to ensure coverage
	Corporate Core & Cross Service	115	11	137	13	Broadly as planned
Strategic Commissioning	Children's Social Care & Education	95	9	65	7	Broadly as planned with some work carried forward to 2017/18
	Adult's Social Care	95	9	64	7	Less than planned due to completion of work in April 2017
	Public Health	10	1	27	3	
	Communities	50	5	30	3	Broadly as planned
Economic Growth & Prosperity		75	7	73	7	Broadly as planned
Providing Assurance to External Organisations		60	6	24	2	Reduced to ensure core assurance work completed
Advice & Guidance		26	3	37	3	Reactive work based upon demand from services
Other Chargeable Work		70	7	103	12	Includes grant certification and increased follow up work.

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Summary of Audit Work to support the overall opinion

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Management Group Board
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Risk Management	Development of Strategy, Policy and Framework Support and Contribution to the Corporate Assurance Group including update reports.	Reports to Audit & Governance Committee
Counter Fraud	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/ Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator

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Summary of Assurance Reports October 16 – March 17¹

Audit Report	Driver/ Background	Assurance Level	Management Response
Air Quality Management	At the request of management	No Assurance	Final Report issued
Primary Schools Consolidated Report 2016/17	Assurance to s151 Officer	Limited	Final Report issued
LEP - Assurance Framework Follow-Up 2016/17	Assurance to an outside body	Limited	Final Report Issued
Public Health Procurement and Commissioning	Risk area identified by management	Satisfactory	Final Report Issued
NNDR Billing Reconciliation 2017/18	Key Financial System	Good	Final Report Issued
Council Tax Billing Reconciliation 2017/18	Key Financial System	Good	Final Report Issued
Children's Centres	At the request of management	Limited	Draft Report Issued
Member's Expenses	To seek wider assurance following an investigation	Limited	Draft report issued
Purchase Card Review	Risk area identified by management	Limited	Draft Report Issued
Direct Payments	Risk area identified by management	Limited	Draft Report Issued
Personal Budgets	Risk area identified by management	Satisfactory	Draft Report Issued
Facilities Management	Risk area identified by management	Satisfactory	Draft Report Issued
Schools Capacity Survey (SCAP)	Risk area identified by management	Satisfactory	Draft Report Issued
Final High Schools Consolidated Report 2016/17	Assurance to s151 Officer	Satisfactory	Draft report issued
School's Finance Team	Assurance to s151 Officer	Satisfactory	Draft Report Issued

¹ Summary of Assurance Reports issued between April and October 2017 was reported in the Internal Audit Interim Report in December 2016

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Assurance Work

- 4.9 In accordance with best practice Internal Audit's focus is on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 4.10 The exception to this approach is with regards to the cyclical review of the Council's key financial systems which, despite being deemed to be low risk, are subject to review due to the volume of transactions processed. It is pleasing to note that the key systems reviewed were provided with either Good or Satisfactory Assurance.

Summary of reports by assurance level

Assurance Level	Audit Reports 2016/17	Audit Reports 2015/16
Good	3	6
Satisfactory	7	5
Limited	12	8
No	1	1
Total	23	20

- 4.11 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.

- 4.12 Management has responsibility for ensuring that the agreed actions for improvement are implemented. All actions from these audits have been, or are currently being, agreed with management and progress on implementation will be monitored through agreed processes.
- 4.13 The issues arising from audit activity and the implementation of associated recommended actions have been considered as part of the 2016/17 Annual Governance Statement process.

Limited Assurance Reports

- 4.14 A brief summary of the audit reports that relate to work undertaken during quarters 3 and 4 of 2016/17 is shown on page 7. With further detail of the 'limited assurance' reports included later in this section.
- 4.15 The summaries of other 'limited and no assurance' reviews were included in the interim report to this Committee in December 2016.
- 4.16 **Air Quality Management** – During the preparation of the 2015 Air Quality Annual; Status Report (ASR), anomalies were discovered between the data recorded on the Council's systems and the source data provided by the laboratory that analyses the monitoring equipment.

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- 4.17 Initial analysis by management identified multiple anomalies in both the latest figures and those used to complete the previous return submitted in 2015.
- 4.18 As such, the Chief Executive requested that Internal Audit carry out a review of the data returns and the processes in place for the monitoring, recording and dissemination of air quality data.
- 4.19 The review concluded that effective Air Quality Management policies, procedures and quality assurance mechanisms were not in place and communicated to staff, resulting in a significant number of errors in the reporting of statutory air quality data to DEFRA and other stakeholders, both internal and external, for a number of years.
- 4.20 Accurate records were produced as part of the review to inform the submission of the ASR and recommendations were made to improve the control environment.
- 4.21 It was also recommended that an external investigation be carried out which is currently ongoing.
- 4.22 **Primary Schools Consolidated Report** – this report provided a summary of findings from the thematic reviews of Imprest and purchase cards carried out at 11 primary schools a special school and the Pupil Referral Unit.
- 4.23 The audit concluded that controls and processes were in place to administer both Imprest accounts and purchase cards but that there was a lack of consistency in their application.
- 4.24 It should be noted that work is ongoing across the Council to close Imprest accounts and that this will also impact on schools.
- 4.25 **Members Expenses** – The objective of the review was to assess the adequacy of the systems, processes and controls in place to manage Members' Expense claims and provide assurance that claims are accurate, in accordance with the approved Scheme of Members Allowances, and subject to an appropriate level of challenge and authorisation.
- 4.26 The review concluded that the existing controls were not sufficiently robust with regards to providing clarity as to what can be claimed and under what circumstances it is appropriate to do so. It also recommended improvements to the processes for submitting and approving claims for payment.
- 4.27 **Purchase Cards** - The objective of the review was to assess the adequacy of the systems, processes and controls in respect of managing purchase cards to ensure that any inappropriate use of Purchase Cards either in terms of procurement method or items purchased, unauthorised purchases, or fraudulent use of Purchase Cards is identified and addressed.
- 4.28 The review concluded that although controls are in place to manage the risks associated with the use of purchase cards they could be improved by the development of more robust guidance around the use of cards and the responsibilities of cardholders.

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- 4.29 **Direct Payments** – the review was undertaken to seek assurance that appropriate controls are in place to monitor direct payments and ensure that care needs are being met whilst also identifying any overpayments or inappropriate use of public money.
- 4.30 The review concluded that overall the current arrangements and controls in place for Adult's Direct Payments are not sufficiently robust and recommended improvements to ensure that the identified weaknesses are addressed.
- 4.31 In all cases a number of recommendations have been made and agreed with management. When implemented these will address the identified weaknesses and improve the control environment.
- 4.32 **Children's Centres** – the review sought assurance that appropriate systems and controls were in place to ensure effective management of the financial performance and achievement of objectives at Children's Centres.
- 4.33 It concluded that whilst the day to day management of the budgets and the staff related objective setting are in place and are working effectively, there were concerns around the high level controls that should be in place.
- 4.34 As such, recommendations were made to improve the control environment in relation to items such as a local

scheme of delegation, operational risk register and the strategic service plan.

- 4.35 It should be noted that for each of the reports detailed above, recommendations have been made and actions agreed by management to address the identified weaknesses.

Schools

- 4.36 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.
- 4.37 The School's Audit Programme for 2016/17 covered the following 3 work areas:
- A thematic review on the effectiveness of performance related pay arrangements at 4 High Schools;
 - A thematic review of purchase card and Imprest arrangements at 11 primaries, 1 special school and the Pupil Referral Unit;
 - An audit review of the School's Finance Team

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- 4.38 A total of 17 schools were visited during 2016/17, with individual reports issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment.
- 4.39 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
 - Internal knowledge provided by the School Finance Team.
- 4.40 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.
- 4.41 The work undertaken by Internal Audit provided assurance that the majority of controls relating to the risk areas subject to review 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.

Supporting Corporate Governance

- 4.42 In accordance with Regulation 4 of the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).
- 4.43 Internal Audit has assisted Management in the production of the Council's AGS for 2016/17 by:
- Coordinating assurance exercises for and co-production of the draft AGS;
 - contribution to and production of Audit & Governance Committee reports on Corporate Governance;
 - representation on and contribution to the Information Governance Group and 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 CAG reports to CLT.

Risk Management

- 4.44 Internal Audit assisted in the Management of Risk through:
- Delivery of a risk based audit plan; and
 - Representation on and contribution to the CAG Risk Sub Group - to advise on risk management, control, and governance issues identified through audit work.

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- 4.45 Formal reports with regard to the risk management process are made throughout the year to CLT, CAG, Cabinet and the Audit and Governance Committee.
- 4.46 During the year the following developments in the approach to Risk Management have been progressed:
- The corporate risk register has been subject to a review and refresh to ensure that interdependencies between the corporate risks are understood
 - Operational risk registers have been developed and included in team plans
 - Risk management refresher training undertaken with Cabinet and CLT as part of the review and refresh of corporate risk register
 - Risk remains a standing agenda item on the quarterly challenge sessions with Directors which include finance, risk and performance

Counter Fraud

- 4.47 Internal Audit has provided advice and guidance to both Human Resources colleagues and Service Managers to support them in the completion of a small number of investigations. Where required, 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.

- 4.48 During the year Internal Audit coordinated the biennial National Fraud Initiative, ensuring that the extraction and submission of data was carried out within deadlines and in accordance with specified criteria. This was successfully completed on 10 October 2016.
- 4.49 Additional work was also completed to ensure that services were fully prepared for the receipt and investigation of matches in January 2017 and to ensure that Cheshire East complied with the requirements for supplementary data submissions during December 2016.
- 4.50 The Member/Officer Fraud Sub Group continues to meet on a regular basis. This allows further detail to be provided to members on emerging fraud risks and the anti-fraud work carried out by Internal Audit. In addition, this group has continued to complete 'Cardiff Checks' on procurement transactions to provide independent challenge to the process and obtain assurance that the arrangements are operating effectively.

Consultancy and Advice

- 4.51 During the year, Internal Audit provided advice at the specific request of management. The nature and scope of these engagements are generally aimed to improve governance, risk management and control and contribute to the overall opinion. This year advice was given on matters such as the application of Finance and Contract Procedure

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Rules, suspected scams/frauds in schools and across the council, management of client monies in social care settings and the development of performance management information to support the sign off of grant claims.

Statutory Returns/Grant Claims

- 4.52 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.
- 4.53 During 2016/17 this has included work on the following grants which were successfully signed off and submitted to the appropriate central government department:

Family Focus	£87,400
Bus Service Operators Grant 2014-15	£348,000
Local Growth Fund (CE Accountable Body for LEP)	<u>£14,520,000</u>
Total	£14,955,400

Implementation of Audit Recommendations

- 4.54 Throughout 2016/17, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed

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 – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.

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Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2014/15				
31%	40%	71%	25%	4%
2015/16 ²				
73%	9%	82%	18%	0%
2016/17				
82%	12%	94%	6%	0%

- 4.55 The figures detailed show a continued improvement in the percentage of agreed actions implemented between 2014/15 and 2016/17. It is particularly pleasing to note the significant increase in the percentage of agreed actions that are implemented within agreed time scales.
- 4.56 These improvements have been as a result of significant effort by the Internal Audit team in carrying out follow ups with managers along with support from senior managers in raising the profile of audit actions.
- 4.57 Whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed. It is therefore pleasing to report that during 2016/17

² Updated to include actions issued in 2014/15 but due for implementation in 2015/16

senior management have supported Internal Audit by challenging their service managers around implementation of actions.

- 4.58 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, or agrees that the implementation of the action is no longer appropriate. This happened with a small number of actions arising from work carried out in 2014/15 and is reflected in the reported figures.
- 4.59 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.

Ongoing Work

- 4.60 The following audits commenced during 2016/17, with work ongoing in the first quarter of 2017/18:
- Procurement
 - Housing Benefits
 - Council Tax
- 4.61 As reported in the 2015/16 Internal Audit Annual Report, a number of high profile whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. Internal Audit work to test these

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concerns, undertaken by expanding the scope of an ongoing procurement audit, was suspended in December 2015 following the launch of an investigation by Cheshire Police into alleged misconduct in public office.

- 4.62 The police investigation is still ongoing and as such the audit of procurement arrangements remains outstanding. As such, it was agreed at the December 2016 meeting of the Audit and Governance Committee that a new piece of work should be completed to provide assurance to both the Chief Operating Officer and Members that the arrangements currently in place to manage procurement activity are appropriate and effective.
- 4.63 Having received confirmation from the Senior Investigating Officer with TITAN, who is leading the investigation, that the proposed audit would not impact upon the ongoing police work, the audit commenced during March 2017 and has continued into the new financial year.
- 4.64 The outcomes of this audit will therefore be reported to a later meeting of Audit and Governance Committee.

Reliance placed on the work of other assurance bodies

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

5 Annual Governance Statement 2016/17

- 5.1 Each year the Council produces an Annual Governance Statement (AGS) that explains how it makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.
- 5.2 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. There are no outstanding significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2016/17 Annual Governance Statement.
- 5.3 However, the Council's assessment of its governance arrangements in 2016/17 has identified significant issues that have been included within the draft AGS.
- 5.4 These will be monitored by the Corporate Assurance Group and escalated, as necessary, to the Corporate Leadership Team, Audit and Governance Committee and/or Cabinet.
- 5.5 Internal Audit actively supports the Corporate Assurance Group to ensure that effective improvements and mitigating actions are implemented.

6 Internal Audit Performance

- 6.1 The Internal Audit team's performance overall is summarised below and is above target and also above the

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levels achieved in 2016/17 with the exception of the figures relating to the implementation of agreed recommendations (detailed in table on page 12).

Performance Indicator	2016/17 Actual	2016/17 Target	2015/16 Actual	Comments on 2015/16 Actuals
Percentage of Audits completed to user satisfaction	96%	92%	96%	Above target.
Percentage of significant recommendations agreed	100%	90%	100%	Above target.
Productive Time (Chargeable Days)	82%	80%	77%	Above target
Draft report produced promptly (per Client Satisfaction Form)	92%	95%	97%	Slightly below target

- 6.2 The slight underperformance relating to promptly issuing draft reports is as a result of the increased work load of the Principal Auditors as a result of senior management absence. This has impacted upon their ability to carry out quality assurance reviews as quickly as would normally be the case.

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

- 7.1 Regulation 6 of the Accounts and Audit Regulations (England) 2015 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 is carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS) which have recently been updated with effect from 1 April 2017. The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments
- 7.2 Therefore, a self assessment will be undertaken against the updated PSIAS during quarter 1 of 2017/18 with the results reported to Committee later in the year via the Internal Audit Interim Report.
- 7.3 In addition to the self assessment, the North West Chief Audit Executives' Group has initiated a 'peer review' process, managed and operated by the constituent authorities to address this requirement. Following the completion of successful pilot reviews, the wider programme is now underway. The Principal Auditors will both undertake a review of another North West authority and the review of Cheshire East is scheduled for October 2017. The Audit & Governance Committee will continue to be appraised of progress in this matter.

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8 Other Developments

- 8.1 On 10 April 2017 the Investigation and Disciplinary Committee met to consider concerns over the officer conduct. As a result, the Chief Executive was suspended to enable an independent investigation to take place.
- 8.2 The Deputy Chief Executive is acting up to the role of Chief Executive and the following interim appointments have been made; an interim Monitoring Officer has been appointed as a result of the Director of Legal Services and Monitoring Officer's ongoing period of absence, and a Director of Finance and Procurement who also has Section 151 responsibilities has been appointed to allow the Chief Operating Officer to focus on other duties.
- 8.3 As part of these interim arrangements, line management responsibility for Internal Audit has transferred from the Director of Legal Services to the Director of Finance and Procurement.
- 8.4 As referenced earlier in this report, resource within Internal Audit is an issue with both the Corporate Manager Governance and Audit, and Audit Manager posts currently vacant. This has been recognised by senior management and consideration is being given as to the most appropriate way to ensure that Internal Audit is sufficiently resourced to enable the continued provision of an effective, efficient and economic audit function.

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CHESHIRE EAST COUNCIL**REPORT TO: AUDIT & GOVERNANCE COMMITTEE**

Date of Meeting:	1 st June 2017
Report of:	Director of Finance and Procurement
Subject/Title:	Draft Pre-Audit Statement of Accounts 2016/17
Portfolio Holder:	Councillor Paul Bates

1.0 Report Summary

- 1.0 This report provides a summary of the 2016/17 Statements of Accounts for the Cheshire East Group, consisting of Cheshire East Council and its wholly owned subsidiaries.
- 1.1 Information on the 2016/17 pre-audit statement of accounts, for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council will be presented to the committee. This step is taken to provide committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts.
- 1.2 This report confirms that the Council will publish, on its website, its pre-audit statement of accounts for year ended 31st March 2017, alongside its draft Annual Governance Statement, by the 30th June 2017 deadline.
- 1.3 The Council produces an Outturn Report for the year that reflects the Council's financial and non-financial performance. The report which includes the narrative to the Statement of Accounts, alongside additional information, will be reported to Cabinet on 13th June 2017.

2.0 Recommendations

- 2.1 Members' note the summarised position of the accounts for year ended 31st March 2017 based on the presentation provided at this meeting.
- 2.2 Members note the important dates in relation to the approval process for the statement of accounts.

3.0 Reasons for Recommendations

- 3.1 The Accounts and Audit Regulations 2015 require the Audit and Governance Committee to approve the statement of accounts after the external audit is completed and before the deadline of 30th September 2017.
- 3.2 To support this responsibility the Committee is provided with an overview of the key issues within the draft Statement of Accounts before the external audit work is completed. This allows committee members adequate time to scrutinise the statements ahead of the deadline for approval.

3.3 The deadline for reporting the Statement of Accounts is changing from 2017/18 when the deadline for producing the draft will be brought forward to 31st May and for the final audited version 31st July.

3.4 The Council made the decision to implement this earlier deadline from 2016/17; hence the draft accounts are presented to this Committee on 1st June and the final audited accounts will be presented for approval on 3rd August 2017.

1.0 Wards Affected

4.1 Not applicable.

1.0 Local Ward Members

1.1 Not applicable.

1.2 Policy Implications

1.3 None.

1.4 Financial Implications

1.5 The Statement of Accounts summarises the financial activities of the Council for the preceding financial year and its position at the year end. It summarises the Council's income and expenditure, assets and liabilities, and its level of reserves and indebtedness. As the statements are subject to external audit and opinion they present a key measurement of the overall financial performance of the authority. The statement of accounts is an important part of the Council's financial governance and stewardship arrangements.

1.6 Legal Implications

1.7 The regulations arising out of the Local Audit & Accountability Act 2014 (Accounts and Audit Regulations 2015) prescribe statutory provisions regarding the overall format and approval procedures for authorities' financial statements. The detailed format of the Statement of Accounts is laid out annually by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the form of the Code of Practice on Local Authority Accounting in the UK (the Code).

1.8 The pre-audit statement of accounts must be signed by the Council's Section 151 officer and published by the end of June following the financial year end. The pre-audit statements do not require committee approval, however it is deemed to be good practice to present the accounts to members before publication.

1.9 The Audited statements are to be approved by committee and published by the 30th September 2017.

1.10 Risk Management

- 1.11 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Council's reputation.
- 1.12 **Background**
- 1.13 The Council continues to improve its performance in producing the Statement of Accounts; with the group statements being available for audit on 5th June 2017.
- 1.14 The Statement of Accounts for 2016/17 is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.15 In 2016/17 the main change in the Code's requirements which affect the Cheshire East Group of companies relates to the introduction of IAS1 Presentation of Financial Statements. This introduced the 'Telling the Story' review of the presentation of Local Authority financial statements. As a result the format of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS) has changed and a new Expenditure and Funding Analysis has been introduced. The cost of services in the CIES is now reported on the basis of the Council's management accounts rather than the Service Reporting Code of Practice (SerCOP) headings.
- 1.16 The Group statements consolidate the accounts of: Cheshire East Council and six wholly owned subsidiaries (Ansa, Orbitas, TSS, EotN, Civicance, Skills & Growth Co); The accounts of a seventh wholly owned subsidiary (TPE), and one associate organisation (CWLEP), although part of the Group, are not consolidated on the grounds of materiality. This mirrors treatment of these organisations in 2015/16. The single entity statements for Cheshire East Borough Council will also be presented to the Committee for approval in August 2017.
- 1.17 The objective of the Statement of Accounts is to provide information about the organisation's financial performance that is useful to a wide range of interested parties. Its purpose is to give readers and stakeholders clear information about the Group's consolidated finances and to answer questions such as: what did services cost; where the money came from; what are the significant events this year; and what is the Group's net worth?
- 1.18 Members are not required to approve the pre-audit statement of accounts for the Group or for the Council as a single entity. But the Director of Finance and Procurement is providing the committee with an early indication of the key messages from these accounts before she signs them for publication. The Pre-Audit Statement of accounts will be published on the 30th June 2017 and the certified Statement of

Accounts will be published by the end of September, meeting all the statutory deadlines and reporting requirements.

1.19 Next steps

1.20 The Council's external auditors are Grant Thornton. Their formal audit will be completed by the end of July.

1.21 The Committee will receive independent reports from the auditors on 3rd August 2017 – including their opinion on the accounts and their value for money conclusion. The final audited Statement of Accounts will also be presented to this Committee for approval in time for publication by the deadline of 30th September 2017.

1.22 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 & GOVERNANCE COMMITTEE

Date of meeting: 1 June 2017
Report of: Daniel Dickinson, Interim Director of Legal Services
Title: Risk Management Update Report
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

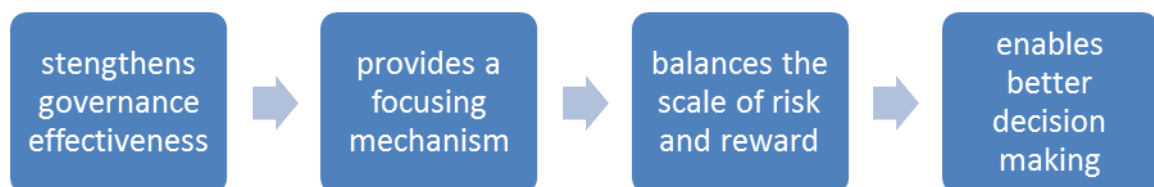
- 1.1 This report provides the Audit and Governance Committee with a summary of the most significant threats and opportunities facing the Council which may prevent, or assist with, the achievement of the Council's Corporate Plan 2016-20.
- 1.2 Audit & Governance Committee requested a short briefing at the meeting from the Risk Owner / Manager for the corporate opportunity risk "CRO1 - EU Exit" to briefly explain the opportunity, and the Council's response to this.

2.0 Recommendation

- 2.1 Audit and Governance Committee is requested to note and comment on the update report on risk management, which is for information and assurance.

3.0 Reasons for Recommendations

- 3.1 It is the role of Audit and Governance Committee to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. Risk management is not about being risk averse, indeed some amount of risk taking is inevitable if the Council is to achieve its objectives. It is about effectively managing risks that could affect the achievement of the Council's objectives and ensuring that an appropriate risk culture is in place.
- 3.2 A risk is concerned with a threat, or a possible future event, which will adversely or beneficially affect the Council's ability to achieve its objectives. Risk management is central to good governance; managing risk is all about people making the best decisions at all levels within the organisation. It is not just about strategy and tactics but also judgements and behaviours of people. Decision makers fundamentally want to do the right thing; an open and respectful risk culture mitigates risk and reputational damage. It encourages higher performance and efficiency, and develops a sustainable and ethical business model.
- 3.3 A strong risk management framework:-



- 3.4 As the Council looks towards 2020, even over this relatively short period of time, there will be a host of factors which influence the nature of the Council's relationships with its residents, businesses, communities, neighbouring authorities, and other key partners. These factors will challenge the Council to review its current systems and approaches, and experiment with new ideas to allow mixed and flexible use of its resources. In this constantly evolving environment, with a need to continually adapt internal organisation to meet

economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. Through risk identification we anticipate eventualities and it helps us to respond to changes in need. Consideration and response to existing and new threats, and the ability to recognise and seize new opportunities, is fundamental to achieving the Council's desired outcomes in the Corporate Plan 2016-20.

4.0 Corporate Risks

4.1 There are presently nine threats and four opportunities detailed on the Council's corporate risk register. There has been some movement of the risks since the previous update to Audit and Governance Committee; with CR3 Financial Resilience risk reducing to medium risk but still on the watch list, CR7 Cheshire East Local Plan Adoption and CR8 Community Cohesion moving from the corporate risk register down to directorate risk registers, and the opportunity around CRO4 Regeneration Funding increasing to 9 medium risk. The tables below inform the Audit and Governance Committee on progress against key risks; attached at **Appendix A** is a more detailed definition of these risks including the Risk Owner, Cabinet Strategic Lead, and comments on the net risk rating. **Appendix B** shows a heat map of the threats and opportunities.

4.2 For this meeting, the risk manager for CR01 EU Exit will attend the meeting to talk through the opportunity risk.

Table 1: Highest Rated Corporate Risks

Ref	Type	Risk Title	Rating	Direction
CR1	Threat	Increased Demand for People Services	12 High	↑
CR2	Threat	NHS Funding and Sustainability and Transformation Plan (STP) Impact	12 High	↔
CR4	Threat	Contract and Relationship Management	12 High	↔

Table 2: Risk Watch List

Ref	Type	Risk Title	Rating	Direction
CR3	Threat	Financial Resilience	9 Medium	↓
CR5	Threat	Information Security and Cyber Threat	9 Medium	↑
CR6	Threat	Countering Fraud and Corruption	6 Medium	↔
CR10	Threat	Business Continuity	6 Medium	↔

Table 3: Managed (Dying) Risks

Ref	Type	Risk Title	Rating	Direction
CR7	Threat	Cheshire East Local Plan Adoption	4 Low	↓
CR8	Threat	Community Cohesion	4 Low	↓

4.3 The assessment methodology used to score the risks is attached at **Appendix C** to this report for information.

5.0 Wards Affected and Local Ward Members

5.1 Risk management is inherent in everyone's role and responsibilities but no specific ward members have been consulted on this report.

6.0 Implications of Recommendation

6.1 **Policy:** Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective implementation are considered within team and department risk registers and as part of the risk management framework.

6.2 **Financial:** There are no financial implications in relation to this report. However, a risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose as part of the Medium Term Financial Strategy (MTFS) process.

6.3 **Legal:** This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.

7.0 Risk Management

7.1 This report relates to overall risk management; the Audit and Governance Committee should know about the most significant risks facing the Council and be assured that the risk management framework is operating effectively. The content of this report aims to achieve the following risk objectives:-

Key Risk Objectives
That Cheshire East Council properly develops, implements and demonstrates an effective risk management framework
That Cheshire East Council applies its risk management policy consistently across the Council
That Cheshire East Council recognises risks and makes correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities

8.0 Access to Information/Bibliography

8.1 Risk Management Policy Statement and Strategy

The updated Risk Management Policy was approved by Cabinet at its meeting on 10 February 2016. The background papers relating to this report can be inspected by contacting the report writer:


Name: Daniel Dickinson
 Designation: Interim Director of Legal Services
 Tel No: 01270 685850
 Email: daniel.dickinson@cheshireeast.gov.uk

Corporate Risks

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR 1 Threat	Increased Demand for People Services (Cause) Risk that Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and demand for adults and children's care services, (threat) such that the capacity of the Council's systems in these areas is unable to continue to absorb the pressures, (impact) resulting in a possible lack of continuity of social workers/service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's outcomes that people live well and for longer, and have the life skills and education they need to thrive.	Interim Executive Director of People	Joint: Portfolio Holder, Adult Social Care and Integration Portfolio Holder, Children and Families	12 High ↑	Likelihood of this risk occurring has been scored as 'likely' as it is known that both adult demand, and children's demand is increasing alongside population growth, and longer life expectancy for both adults and children with complex needs. Taking a prudent approach to the risk scoring, if the increase in demand was significant the impact of this risk if it were to materialise could be critical with possible safeguarding issues due to the nature of the service delivery areas. Further work is planned to mitigate the impact of this risk in both service areas but presently the net score remains at 12 high risk.
CR 2 Threat	NHS Funding and STP Impact (Cause) Risk that due to the financial deficit in the NHS, the five-year Sustainability and Transformation Plan (STP) to reshape the delivery of NHS services across the wider region, may cause a reduction in Cheshire East Council shared service delivery and NHS service delivery, (threat) shifting costs and demand which places additional strain on Council resources (impact) resulting in unmet need and potential difficulty in achieving the Council's outcomes that people live well and for longer and local communities being strong and supportive.	Interim Executive Director of People	Joint: Portfolio Holder, Health Portfolio Holder, Adult Social Care and Integration	12 High ↔	The STP has been drawn up on a regional basis and the likelihood of this risk occurring has been scored as 'likely' because there are significant financial issues to be addressed. If this results in a shift in costs and demand to the Council, this could have a critical impact on the achievement of the corporate outcomes and performance, with long term high costs. The net score remains at 12 high risk; work is ongoing to attempt to mitigate the likelihood and impact of this risk.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR 3 Threat	Financial Resilience (Cause) The reduction in funding from Central Government means the Council must manage funding shortfalls over the next four years, through reduced expenditure or increased local income. (Threat) There is a possibility that the Council does not adopt its financial plans in sufficient detail quickly enough, either by deferring the difficult decisions about services, using over-optimistic planning assumptions, or not rethinking sources of income. (Impact) This may result in difficulties in closing and managing the funding reductions, financial stress and may impede the Council's ability to meet its statutory requirements, and deliver all of its intended outcomes and objectives in full.	Interim Director of Finance and Procurement	Portfolio Holder, Finance and Communities	9 Medium ↓	This risk is not exclusive to Cheshire East, and is presently a national risk for local government although Cheshire East is in a significantly better position than many other local authorities. The Council has financial plans in place to manage funding shortfalls which will be reviewed regularly. The impact of this risk should it materialise is reduced as the Council has a track records of underspends or managing year end positions within the parameters of the Reserves Strategy. The overall net risk rating has been reduced to 9, medium risk but is on the watch list.
CR4 Threat	Contract and Relationship Management: (Cause) Risk that the Council does not improve the effectiveness of its contract management arrangements, including skilled staff, to manage contracts and ongoing relationships with the Council's providers, in a timely manner (Threat) such that contractual arrangements may not be robustly specified, or that they fail to deliver expected outcomes and/or within contracted costs and/or within expected timescales and/or fail to comply with contract agreements. (Impact) This will affect the Council's ability to achieve all of its priorities and outcomes, realise agreed savings to ensure better value for money, and may have a detrimental effect on the Council's reputation for failing to deliver on our promises.	Executive Director Place	Portfolio Holder, Corporate Policy and Legal Services	12 High ↔	The Council has a significant number of large value and service critical contracts. A recent audit of this area has resulted in a number of recommendations to improve the effectiveness of this control area with specified timescales. When this mitigation has been fully implemented and embedded this should reduce both the likelihood and impact of this risk. Presently the net risk rating is 12 high risk.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR5 Threat	Information Security and Cyber Threat (Cause) Risk that as the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility and transaction requirements, (threat) it becomes increasingly at risk of a security breach, either malicious or inadvertent from within the organisation or from external attacks by cyber-criminals. (Impact) This could result in many negative impacts, such as distress to individuals, legal, financial and reputational damage to the Council, possible penetration and crippling of the Council's IT systems preventing it from delivering its Corporate Outcomes.	Chief Operating Officer	Portfolio Holder, Democratic and Public Engagement, Assurance and ICT	9 Medium ↑	<p>The Council handles large quantities of data on a daily basis and receives a large amount of emails, around 90 million this financial year to date. Of this volume 78% is malware, viruses or spam. The risk of a security breach of some nature is 'likely', already this Financial Year we have more Incidents than last year, 73 compared to the last financial year of 56. The sophistication of the attacks is increasing and so the number and types of technologies to protect the Council will need to evolve to deal with the different complexity. There is increasing public concern, the Council needs to continue to provide a level of service and care of its information that will engender trust from residents and businesses.</p> <p>Existing mitigation controls reduce the likelihood, the Council has a number of technologies to reduce the risk of infection; this approach is known as layered defence or defence in depth so that if the infection evades one technology then others will stop any incursion but this is a constantly changing digital arena. If the risk materialises there is the potential of a 'major' impact on the corporate plan which may affect services in one or more areas for a short period and so the net risk rating is 9 Medium risk.</p>

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR6 Threat	Countering Fraud and Corruption (Cause) Risk that the Council fails to have proper, adequate, effective and efficient management arrangements, policies and procedures in place to mitigate the risk of fraud and corruption, particularly in a time of financial austerity, (Threat) such that public money is misappropriated. (Impact) This would result in a loss of funds to the Council, have a detrimental effect on services users, a negative impact on the Council's ability to achieve all of its priorities, value for money, and may have a negative impact on the Council's reputation.	Interim Director of Finance and Procurement	Portfolio Holder, Finance and Communities	6 Medium 	In line with CIPFA Code of Practice guidance, the Council's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users. Although the Council has a robust anti-fraud and corruption framework, as the Council commissions and lengthens its supply chain with uncertainty of the level of controls and assurance arrangements within the chain, the likelihood of this risk is increased. Alongside this, change of key personnel due to the organisational restructuring may also increase the risk of unexplained or suspicious expenditure. The impact of this risk should it occur is a 3 'significant' as the amount of funds at risk could be significant and jeopardise financial resources to achieve the outcomes. As the Council's maturity levels increase in this area the risk should reduce, at present, the overall net risk rating is 6 medium risk and is on the 'watch' list.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR7	Cheshire East Local Plan Adoption Risk that there are delays to the adoption of the Cheshire East Local Plan Strategy, resulting in further delays to the planning framework, leaving Cheshire East vulnerable to unwanted development, budget pressures, loss of public and government confidence, impacting upon Cheshire East's ability to provide the right type of housing and development sites in the right places to stimulate growth in the local economy affecting the achievement of all of the Council's outcomes.	Executive Director of Place	Portfolio Holder, Housing and Planning	4 Low ↓	Given that we have now completed the examination period and have completed consultations on proposed modifications. We now assess this threat as being very unlikely, we anticipate the plan will be approved by full Council this summer. This risk will be monitored via the Directorate risk register.
CR8	Community Cohesion (Cause) Lack of integration - Risk that low socio economic status (including job insecurity, poor quality employment, housing and health inequalities); negative national political attitudes towards social groups, and ethnic diversity, in some parts of Cheshire East (threat) creates perceptions of unfairness, rumour and animosity, affecting community cohesion and resilience, (impact) impacting upon the Council's ability to ensure that all of its local communities are strong and supportive, that people live well and for longer and that Cheshire East is a green and sustainable place.	Interim Executive Director of People	Portfolio Holder, Finance and Communities	4 Low ↓	The likelihood of this risk occurring has been reduced to unlikely due to the work completed to date. The overall risk rating has been reduced to 4 low risk. The impact on the Council objectives could be significant if the risk materialised as there could be substantial costs and resource required to restoring cohesion. It should be noted that risk factors are influenced by current external environmental issues. As the Council and partners continue to move forward with their action plan for this risk, mitigation will be a key consideration in its approach to community cohesion and this risk will be monitored via the Directorate risk register.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR9	Increased Major Incidents (Cause) Risk that there is a lack of capacity, planned reserves and resources to deal with an increased frequency and severity of major incidents which affect Cheshire East (e.g. extreme weather events, flooding, sinkholes, fire incidents, chemical incidents, dangerous structures, pandemic, or deliberate incidents such as terrorist acts) such that (threat) the Council needs to shift capacity and resources away from day to day operational activity and may be unable to sustain an effective response or to act in a timely manner alongside emergency responder partners, (impact) resulting in potential public safety issues and a reduced level of achievement across all of its intended outcomes.	Executive Director of Place	Portfolio Holder, Democratic and Public Engagement, Assurance and ICT	6 Medium ↔	The net risk rating for this risk is 6 medium. Whilst it is unlikely that there will be a significant increase in the number of major incidents, this is outside of our control, and if this was to materialise the impact on the Council's objectives would be major. There have been a number of major incidents that the Council has responded well to and the risk score will be reviewed if and when any further incidents occur.
CR10	Business Continuity (Cause) Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems etc) such that (threat) the Council is unable to deliver some, or in extreme cases all of its services and (impact) putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period	Chief Operating Officer	Portfolio Holder, Democratic and Public Engagement, Assurance and ICT	6 Medium ↔	The net risk rating is 6 medium. Whilst the majority of incidents are outside of the Council's control this risk remains unlikely but could have a major impact if it materialised. Contingency planning to reduce the impact requires improvement and so this risk is on the 'watch' list.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR11 Threat	Employee Engagement and Retention (Cause) Risk that as demand increases and resources decrease, the Council's most skilled and experienced staff may feel under more pressure and become less engaged, and (threat) because of the specialist nature of some of the roles, the Council is less able to recruit and retain core professional employees (e.g. social workers, solicitors and planners). This may result in (impact) high recruitment costs and loss of talent and organisational knowledge which may have a damaging impact on service users and the Council being unable to fully deliver across all of its outcomes.	Chief Operating Officer	Portfolio Holder, Policy and Legal Services	6 Medium ↔	Whilst the employee engagement score has increased, the Council recognises that retention of skilled staff remains a threat. Employee engagement and retention is an area the Council needs to keep improving, for example through the use of talent management initiatives. Increase in demand with fewer resources is likely and may impact on core areas which could be significant. This risk is a medium risk.
CRO 1 Opp'ty	EU Exit, Single Market and Local Growth (Cause) Keeping abreast of discussions about exiting the EU and access to the single market means that the Council can anticipate which areas are going to be significantly affected in Cheshire East e.g. changes in demand, changes to economic sectors, including the rural economy, and the labour market in the local area, significant impacts on local companies, possible successor regional aid funding schemes, changes to state aid and procurement laws. (Opportunity) This creates an opportunity to seize the initiative and influence the debate on the new UK legislative agenda for how a new regime should be shaped, including more entrepreneurial models that (impact) may benefit Cheshire East's local economy and local growth.	Executive Director of Place	Portfolio Holder, Regeneration	6 Medium ↔	Note that risk scoring for opportunities is the opposite way around to threats so a better risk outcome is to travel towards a higher score. The likelihood of this risk is presently unlikely as this is a possible opportunity which has yet to be fully investigated by management. The impact is relatively unknown but could be significant to Cheshire East's rural and local economy. The net risk rating is 6 Medium Risk and is worth further investigation.

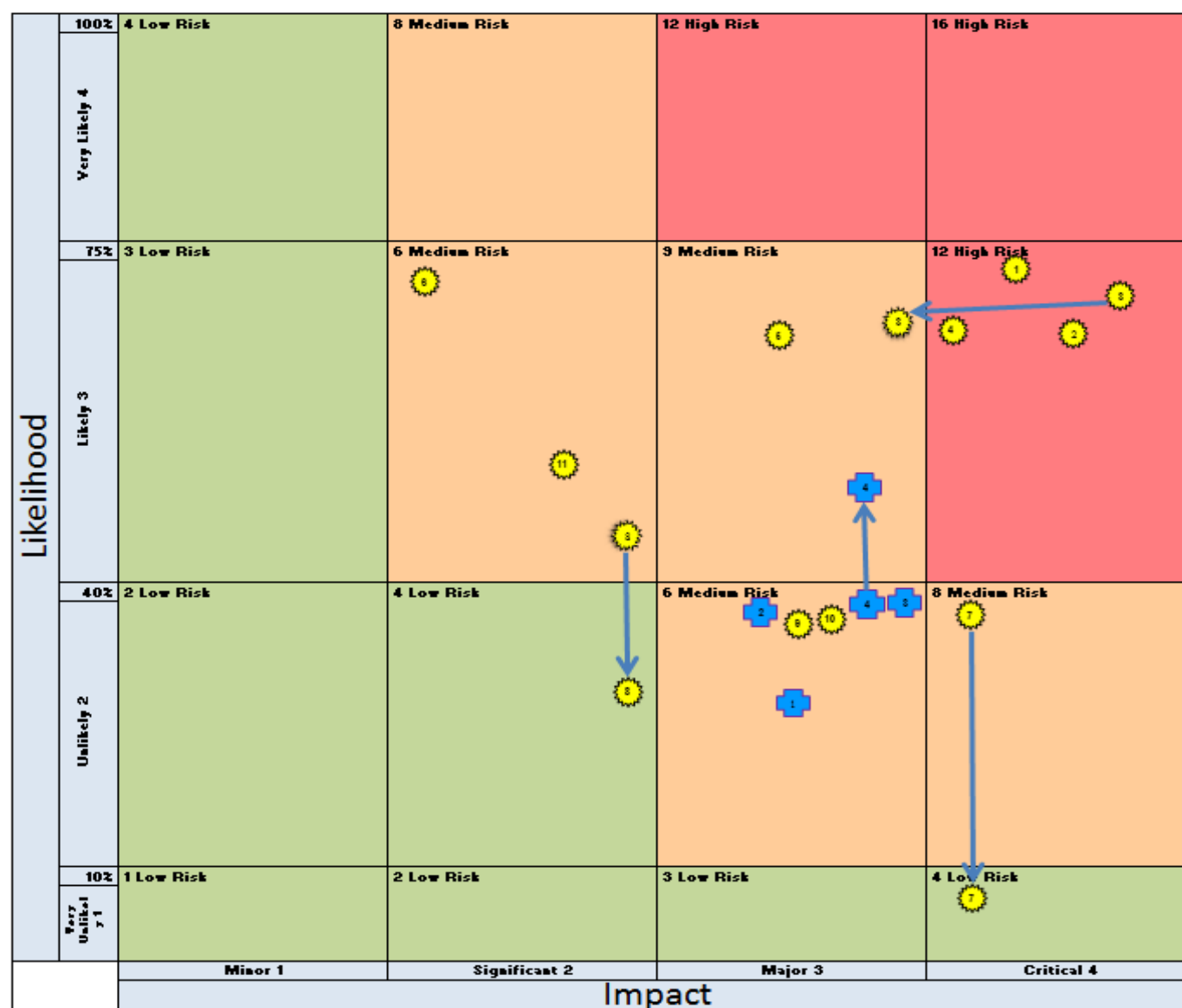
Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CRO 2 Opp'ty	Devolution (Cause) Central Government has been working with various cities and sub-regions to achieve devolution of powers and funding from central government to local areas which presents an opportunity for Cheshire East to (opportunity) work with key partners to bring an informed, coherent and persuasive case to secure more funding and powers through a devolution deal which would (impact) support Cheshire East's outcomes of protecting and enhancing its Quality of Place, improving local economic growth assisting with the achievement of all of its corporate outcomes.	Executive Director of Place	Leader	6 Medium ↑	Cheshire East is committed to the devolution agenda and will work with its sub-regional partners to secure the best possible agreement for the Borough. The Council has been working with partners in the sub region to develop a draft deal (together with a draft investment programme). This puts us in a good position to outline our proposals with Government after the general election. The timelines however are uncertain until we get a clear position from Government.
CRO3 Opp'ty	Partnership Working (Cause) Public Service delivery is currently under-going reform, impacting upon capacity and resources of agencies and organisations partnered by the Council and other public sector agencies. (Opportunity) This presents an opportunity for co-production with joint strategic planning to reduce contradictory and duplication of efforts, minimise delivery gaps, exploit new business models and maximise best use of public and private sector resources to (impact) achieve joint and complementary objectives and assist with the achievement of the Council's corporate outcomes.	Interim Executive Director of People	Leader	6 Medium ↑	The Leaders' Board is working with the Council's key strategic partners, including Town and Parish Councils, and the Voluntary, Community and Faith Sector to exploit this opportunity and so the likelihood of this risk requires careful management to increase the likelihood rating. The impact could see a major increase in the Council's ability to achieve one or more strategic outcomes. The opportunity requires further work and monitoring to ensure that it comes to fruition.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CRO4 Opp'ty	Regeneration Funding (Cause) The Council has a number of ambitious regeneration and development initiatives (e.g. Crewe Regeneration including HS2, and Macclesfield Regeneration) involving many third party organisations. (Opportunity) There is an opportunity to create the right conditions and confidence to lever in significant investment (public and private) to deliver these initiatives and to create (impact) further significant growth and prosperity in the Borough.	Executive Director of Place	Portfolio Holder, Regeneration	9 Medium ↑	The Council is working with partners to enable it to be in the strongest possible position to make bids and have access to government funding, which increases the likelihood of this opportunity. Following the general election the Council will be able to start dialogue with the government regularly on investment priorities in the Borough.

Cheshire East Council Corporate Risks Heat Map (May 2017)

Corporate Risk Titles	
Threat	
CR1	Increased Demand for People Services
CR2	NHS Funding and STP Impact
CR3	Financial Resilience
CR4	Contract and Relationship Management
CR5	Information Security and Cyber Threat
CR6	Countering Fraud and Corruption
CR7	Cheshire East Local Plan Adoption (to be removed)
CR8	Community Cohesion (to be removed)
CR9	Increased Major Incidents
CR10	Business Continuity
CR11	Employee Engagement and Retention
Opportunity	
CR01	EU Exit, Single Market and Local Growth
CR02	Devolution
CR03	Partnership Working
CR04	Regeneration Funding

Threat	
Opportunity	



SCORING CHART FOR IMPACT				SCORING CHART FOR LIKELIHOOD				
	Factor	Score	Effect on Corporate Objectives		Factor	Score	Description	Indicator
Threats	Critical	4	Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs.	Threats	Very likely	4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly
	Major	3	Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.		Likely	3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)
	Significant	2	Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.		Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
	Minor	1	Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect.		Very unlikely	1	<10% chance of occurrence	Rarely/never before
	Factor	Score	Effect on Corporate Objectives		Factor	Score	Description	Indicator
Opportunities	Exceptional	4	Result in major increase in ability to achieve one or more strategic objectives	Opportunities	Very likely	4	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
	Significant	3	Impact on some aspects of the achievement of one or more strategic objectives		Likely	3	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
					Unlikely	2	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of Meeting:	1st June 2017
Report of:	Chair of the Audit and Governance Committee
Title:	Audit and Governance Committee Self-Assessment

1.0 Report Summary

- 1.1 The aim of this report is to support the Audit and Governance Committee in performing effectively and facilitate compliance with the Accounts and Audit (England) Regulations 2015. Members are, therefore, asked to consider the results of a self assessment of the effectiveness of the Audit and Governance Committee, carried out by the Chair and Vice Chair using the CIPFA publication '*Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)*'.

2.0 Recommendations

- 2.1 That the Committee:
- consider the self-assessment (Appendix A) and determine any required amendments,
 - endorse the actions arising from the self assessment; and
 - note that a further report, updating Members on progress with these actions, will be brought to a future meeting of this Committee.

3.0 Reasons for Recommendations

- 3.1 A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for the Audit and Governance Committee to be effective.
- 3.2 Regular self-assessments against best practice, as outlined in the CIPFA "Audit Committees Practical Guidance for Local Authorities (2013)" can be used to support the planning of the Committee's work programme, training plans and inform the annual report.
- 3.3 The self-assessment forms part of the review of the system of internal control as required by Regulation 6 of the Accounts and Audit (England) Regulations 2015 and which supports the production of the Annual Governance Statement (AGS).

4 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 No specific financial implications.

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

8.1 As detailed within the report the Council is required to abide by the Accounts and Audit (England) Regulations 2015.

9.0 Risk Assessment

9.1 It is not uncommon for audit committees to face difficulties or barriers to fulfilling their potential effectiveness. Regular self-assessment against best practice are of value in helping audit committee members or those supporting the committee to recognise and address any areas where it might improve its performance in addition to ensuring compliance with the Accounts and Audit (England) Regulations 2015.

10.0 Background

10.1 The process for conducting the review of the effectiveness of internal audit, which is based on best practice guidance, was agreed with the Audit and Governance Committee in November 2014 and includes a self-assessment using the following:

- The Checklist for Assessing Conformance with the Public Sector Internal Audit Standards and the Local Government Application Note, taken from the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (CIPFA).
- Self-assessment of Good Practice and Evaluating the Effectiveness of the Audit Committee taken from Audit Committees - Practical Guidance for Local Authorities and Police (2013 Edition).

10.2 Table 1 and Table 2 show the outcome of the 2016/17 draft self-assessment against the Good Practice questions and the Evaluation of the Effectiveness of the Audit Committee. The detailed self-assessment is shown in Appendix A.

Table 1**2016/17 Draft Self-Assessment Results****Section 1: Good Practice Questions**

Self-Assessment against Good Practice 2016/17		
Meeting recommended practice	Number	Actions Arising
Yes	13	0
Partly	7	5
No	0	0
Total	20	5

Table 2**2016/17 Draft Self-Assessment Results****Section 2: Evaluating the Effectiveness of the Audit Committee**

Assessment Key: Level	Assessment Key: Criteria	Outcome of 2016/17 Draft Assessment	Actions Arising
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.	1	1
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.	8	3
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps	0	0
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.	0	0
1	No evidence can be found that the audit committee has supported improvements in this area.	0	0
Total		9	4

10.3 The results of the Audit and Governance Self-Assessment, and the outcome of the assessment of Internal Audit will be reported to this Committee for consideration as part of the AGS process. It is important

that Members are satisfied that the draft Audit and Governance Committee self-assessment, prepared by the Chairman and Vice Chairman, has been completed correctly. The Committee is therefore asked to:

- consider the draft self-assessment (Appendix A) and determine any required amendments;
- endorse the actions arising from the draft self- assessment; and
- note that a further report, updating Members on progress on these actions, will be brought to a future meeting of this Committee

11.0 Access to Information

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

Name: Councillor Gordon Baxendale

Designation: Chair of the Audit and Governance Committee

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This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2013). Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

Regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Section 1 – Good Practice Questions

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			
2	Does the audit committee report directly to full council?	✓			The Audit and Governance Committee present an annual report to Full Council.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement*? * The Purpose of Audit Committees (CIPFA Position Statement) extract: <i>Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.</i> <i>The purpose of an audit committee is to provide to those</i>	✓			Council approved new Terms of Reference (ToR) in May 2014 following reference to and recommendation from the Constitution Committee. The ToR are based on the latest guidance from CIPFA; "Audit Committees: Practical Guidance for Local Authorities and Police" (2013 Edition) and therefore clearly set out the purpose of the Committee in accordance with CIPFA's position statement. Following discussions at the June 2016 Audit and Governance Committee, the following amendments to the terms of reference were approved by Constitution Committee in July 2016: (a) the following be added:

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	<i>charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</i>				<p><i>'The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within these terms of reference of the Committee.'</i></p> <p>(b) paragraph 22 (Internal Audit) be amended as follows: <i>'To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.'</i></p>
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓		<p>The Committee's Terms of Reference are included in the Council's Constitution and are approved by Full Council.</p> <p>The Annual Report of the Committee is presented to Full Council. It addresses the areas where the Committee should be held to account and helps to ensure that those not directly involved in the work of the Committee achieve an understanding of its role and purpose</p> <p>IMPROVEMENT ACTION: <i>Training and awareness on the purpose and function of the Audit and Governance Committee to be included on the Member Development Programme, for the benefit of all Members. Other ways of raising awareness of the Committee and its purpose to be discussed with the Senior Member Development Officer.</i></p>
5	Does the audit committee provide support to the authority?	✓			The Annual Report of the Committee is presented to full Council.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	in meeting the requirements of good governance?				<p>It addresses the key areas where the Committee should be held to account including what impact it has had on the improvement of governance, risk and control within the Council.</p> <p>Delegated governance responsibilities include approving the Council's Annual Governance Statement (AGS).</p>
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		<p>Potentially moved from Yes to Partly</p> <p>The Audit and Governance Committee's ToR, approved in May 2014, include accountability arrangements.</p> <p>The Annual Report of the Committee is based on recommendations made by the CIPFA Better Governance Forum and those contained in Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition). It is presented to full Council and addresses the key areas where the Committee should be held to account.</p> <p>DISCUSSION POINT:</p> <p><i>A question was raised by the former Vice Chair as to whether the report to Council should be subject to debate and whether simply receiving it fulfils the expectation that the Committee is held to account for its performance.</i></p> <p><i>Members should also discuss whether this is the most effective way in which to receive feedback on the Committee's performance.</i></p>
Functions of the committee					

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			The ToR are based on the latest guidance from CIPFA - Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) and explicitly address all of the core areas identified in CIPFA's Position Statement.
	good governance				
	assurance framework				
	internal audit				
	external audit				
	financial reporting				
	risk management				
	value for money or best value				
	counter-fraud and corruption.				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			A self- assessment of the Committee is undertaken every year and forms part of the AGS process. The Committee's Annual Report compares the work carried out by the Committee during the year with its ToR.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			<p>Considered as part of the review of the Committees ToR in 2014 and evidenced by the Committee having responsibility for reviewing:</p> <ul style="list-style-type: none"> • ethical standards issues • the effectiveness of the Council's whistleblowing arrangements • and monitoring the Council's treasury management

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					arrangements in accordance with the CIPFA Treasury Management Code of Practice.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			See Actions below relating to: <ul style="list-style-type: none"> ▪ Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements ▪ Supporting the development of robust arrangements for ensuring value for money.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS.
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 		✓		<p>The Committee is separate from the executive and is of a size that is not unwieldy.</p> <p>The Chairman and Vice Chairman of the Audit and Governance Committee are selected by the political group to which Full Council has allocated those offices.</p> <p>Re: appropriate mix of knowledge and skills among the membership, see 15 below.</p> <p>An independent member has been appointed to the Committee with the March 2017 meeting being the first one attended.</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
13	Does the chair of the committee have appropriate knowledge and skills?	✓			
14	Are arrangements in place to support the committee with briefings and training?	✓			<p>Induction training has been provided to new members of the Committee during 2016/17 along with training to raise awareness of Whistleblowing and what to do in the event of a referral being made to a Member.</p> <p>The Committee is supported by Member/Officer groups which meet 4-5 times per year. The Groups are designed to increase knowledge and expertise, and cover areas within the Committee's Terms of Reference, including; Audit, Financial Statements, Counter Fraud, Corporate Governance, Risk Management and a Standards Working Group.</p>
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		<p>Moved from No to Partly?</p> <p>An assessment of the current Committee's knowledge and skills was carried out during 2016/17. However this exercise should be repeated to recognise recent changes to membership of the Committee.</p> <p>IMPROVEMENT ACTION:</p> <p><i>An assessment of the Committee Member's knowledge and skills will be carried out against the core framework. This will be used to develop a programme of support, which will include regular briefings, updates and formal training sessions.</i></p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			<p>External Audit attend all Committee meetings.</p> <p>The Head of Internal Audit, Section 151 Officer, Deputy Section 151 Officer, and the Monitoring Officer attend all Committee meetings.</p> <p>In line with the Action from a previous self-assessment, the Chair and Vice Chair have met with External Audit separately.</p>
17	Is adequate secretariat and administrative support to the committee provided?	✓			Democratic Services provide secretariat and administrative support to the Committee.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		<p>The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance.</p> <p>IMPROVEMENT ACTION: <i>The Chair will solicit feedback from Members about their work on the Member/Officer Sub Groups in order to inform the wider Committee, and ask visiting attendees for feedback and suggestions.</i></p>
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓		The Annual Report of the Committee is presented to full Council and addresses the key areas where the Committee should be held to account. This includes what impact the Committee has had on the improvement of governance, risk and control within the Council.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					<p>This self-assessment also evaluates where the Council is adding value – see points 6 and 18.</p> <p>IMPROVEMENT ACTION: <i>The Audit and Governance Committee should schedule a session to consider how it can evaluate and demonstrate the value it adds to the Council. Feedback from this will inform the self-assessment as necessary.</i></p>
20	Does the committee have an action plan to improve any areas of weakness?		✓		<p>Each self-assessment of the Audit and Governance Committee has been supported by an action plan identifying areas for improvement.</p> <p>IMPROVEMENT ACTION: <i>The self-assessment action plan will become a standing agenda item in meetings between the Chair, Vice Chair and the Head of Internal Audit to ensure progress is made against the plan. Progress against the Action Plan will be reported to the Audit and Governance Committee.</i></p>

Section 2 – Areas where the Audit and Governance Committee can add value by supporting improvements					
Assessment key					
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.				
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.				
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.				
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.				
1	No evidence can be found that the audit committee has supported improvements in this area.				
Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
A	Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Providing robust review of the AGS and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting 	<ul style="list-style-type: none"> The AGS and supporting evidence is provided to the Committee and training session held for Members. Draft AGS is brought to the Committee in June ahead of the final version in September. Pro-active in requesting reports e.g. Governance Arrangements for Alternative Service Delivery Vehicles. 	4	ACTION: <i>Consider how the Committee can work with other Members to improve their understanding of the Code of Corporate Governance and the Annual Governance Statement and their contribution to it. This could include raising awareness through Cabinet and Scrutiny, for example, and will also need to address the requirement to update the Code of Corporate Governance</i>

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		<p>reviews/audits of governance arrangements.</p> <ul style="list-style-type: none"> Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Member/Officer Group on governance. Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process. 		<i>following the updated CIPFA guidance.</i>
B	Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls 	<ul style="list-style-type: none"> Audit and Governance Committee receives regular reports on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. “Cardiff Checks” have been carried out as part of the Counter Fraud Member/Officer Group work 	5	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p> <p>However, it is noted that performance in this area has improved significantly during the</p>

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		with appropriate senior managers.	<p>programme, the results of which have been reported back to the main Committee, giving assurance over the operation of controls in place.</p> <ul style="list-style-type: none"> ▪ The Committee continues to monitor the implementation of actions raised by the External Auditors and the AGS Action Plan. ▪ Audit and Governance Committee can request Senior Managers to attend meetings where there have been concerns raised over the implementation of agreed recommendations, although this has not been required in practice as yet. 		year
C	Supporting the establishment of	<ul style="list-style-type: none"> ▪ Reviewing risk management 	<ul style="list-style-type: none"> ▪ Regular risk management reports received at Committee, 	4	The Chair and Vice Chair will continue to invite Corporate Risk

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
	arrangements for the governance of risk and for effective arrangements to manage risks.	<p>arrangements and their effectiveness, e.g. risk management benchmarking.</p> <ul style="list-style-type: none"> Monitoring improvements. Holding risk owners to account for major/strategic risks. 	<p>reviewing strategic (Corporate) risks. Also: regular reports on specific strategic (Corporate) risks and mitigating controls from risk owners.</p> <ul style="list-style-type: none"> Monitoring the risk maturity assessment and associated action plans and development work. Member/Officer Group on Risk Management. 		owners to the Committee to present on the management of this level of risk.
D	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk 	<ul style="list-style-type: none"> The Committee is proactive in requesting work and reports to ensure it receives assurances from across the Council. It receives the assurance framework for the AGS on an annual basis. The Work Plan presented to Committee demonstrates how the assurance reports enable the Committee to meet its 	4	No further actions proposed.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		management, external audit.	<p>terms of reference.</p> <ul style="list-style-type: none"> The results of the review of the effectiveness of internal audit are reported to this Committee for consideration as part of the AGS process. 		
E	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements. 	<ul style="list-style-type: none"> The Committee reviews the audit charter and functional reporting arrangements. Internal Audit produces interim reports and an annual report, featuring their performance indicators. Member/Group on Audit & Accounts. 	4	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date. However, it is noted that performance in this area has improved significantly during the year.</p> <p>The Internal Audit Charter will be reviewed following recent updates to the Public Sector Internal Audit Standards, updated as necessary and brought to Committee for</p>

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
					approval.
F	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> ▪ Responsibility for undertaking high level project/programme monitoring rests with the Executive Monitoring Board (EMB). ▪ The Committee receives update reports on the work of Internal Audit including key findings, issues of concern, and action in response to the findings and recommendations. The reports include relevant information regarding Internal Audit reviews of projects and programmes. ▪ The Committee received a presentation on the Council's Performance Management arrangements at the March 2016 meeting. 	4	No further actions proposed.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
G	Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS. 	<ul style="list-style-type: none"> The Committee's Terms of Reference include explicit reference to its role in reviewing and scrutinising value for money arrangements. Annually the Committee considers the external audit conclusion on value for money. In September 2016 Grant Thornton confirmed that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. However, due to the ongoing police investigation the certificate was not issued¹. Audit and Governance Committee receives regular 	4	

¹ Grant Thornton UK LLP, Audit Findings Report, 19th September 2016.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
			reports on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. “Cardiff Checks” have been carried out as part of the Counter Fraud Member/Officer Group work programme, the results of which have been reported back to the main Committee.		
H	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> ▪ Reviewing arrangements against the standards set out in CIPFA’s <i>Managing the Risk of Fraud</i> (Red Book 2). ▪ Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. 	<ul style="list-style-type: none"> ▪ The Committee receives the Informing the Risk Assessment for Cheshire East report that includes assurance with regard to management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. ▪ There is an annual report to the Committee on the effectiveness of the Whistleblowing Policy. 	4	No further actions proposed

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
		<ul style="list-style-type: none"> Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> Regular updates on anti- fraud arrangements. Member/Officer Group on Fraud. 		
I	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. 	<ul style="list-style-type: none"> The Committee reviews and approves a number of public facing documents e.g. Financial Statements, AGS, Annual Report, and the Internal Audit Charter. As part of producing these documents, they are regularly reviewed against best practice and any required improvements are made to improve transparency and accountability. The Committee received a report on the Council's performance in relation to its obligations under the Data 	4	No further actions proposed.

Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
			<p>Protection Act (1998), the Freedom of Information (2000) including the Environmental Information Regulations in March 2017. This included reference to the Council's Transparency Project and forthcoming changes to the Data Protection regulations.</p> <ul style="list-style-type: none"> ▪ A report on the Council's compliance with the Regulation of Investigatory Powers Act (RIPA) (2000) was also taken to the September 2016 Committee. 		

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting:	1 June 2017
Report of:	Acting Director of Legal Services
Subject/Title:	Notice of Motion – Membership of Freemasons
Portfolio Holder:	Councillor Rachel Bailey – Leader of the Council

1.0 Report Summary

- 1.1 The purpose of this report is to consider and respond to the following motion which had been proposed by Councillor S Corcoran and seconded by Councillor N Mannion at the Council meeting on 15 December 2016 and referred to Cabinet for consideration:

“Council agrees that all Cheshire East Elected Members should be required to declare membership of the Freemasons”.

2.0 Recommendations

- 2.1 That Audit and Governance Committee notes that a review is being undertaken of the Constitution including the Member and Officer Codes of Conduct. Any proposals to change the requirements for declarations of interests to be made by Members and Officers will be reported and determined through that review process.
- 2.2 For that reason, it is recommended that Audit and Governance Committee endorse that any consideration of classifying membership of the Freemasons as a interest that is required to be declared be undertaken as part of the wider ongoing review.

3.0 Reasons for Recommendations

- 3.1 The Council’s Code of Conduct sets out general obligations about the standards of conduct expected of Members, together with provisions about registering and declaring pecuniary and non-pecuniary interests.

The Code has been adopted under section 27 of the Localism Act 2011 and is based on The Nolan Principles of public life (which are set out as general obligations in the Part A of the Code - see in Appendix 1). Members must have regard to those principles when fulfilling their role.

Members must comply with the Code whenever they:

- (a) conduct the business of the Council; or
 - (b) act, claim to act, or give the impression that they are acting as a representative of the Council.
- 3.2 There are mandatory requirements placed on Members to declare and keep up to date certain pecuniary interests which are set out in the Localism Act 2011 (section 29). A list of those Disclosable Pecuniary Interests is set out in Appendix 2 of the Code.
- 3.3 The Localism Act 2011 (section 29 (2)) gives Councils the discretion to place additional requirements, through the Code of Conduct, on its Members in relation to the declaration of pecuniary and non-pecuniary interests.
- 3.4 Beyond the statutory obligations in relation to Disclosable Pecuniary Interests as defined by the Secretary of State and set out in Appendix 2 of the Code, there are currently no additional requirements in the Code in respect of other types of interests that Members are required to declare.
- 3.5 The Council is at liberty to exercise its discretion and determine what additional requirements to place on its Members in relation to the declaration of pecuniary and non-pecuniary interests (not otherwise required to be declared by statute). It is also at liberty to determine what action a member must take upon declaration of any such interest. This discretion could be exercised to require Members to disclose membership of specific organisations such as the Freemasons.
- 3.6 However, if a new form of declarable interest is to be inserted into the Code defined solely by membership of a particular group, then this gives rise to an implication that membership of that group gives rise to an inherent conflict with a Member being able to exercise their role as a Councillor whilst also being a member of the particular group in question.
- 3.7 In considering whether to require membership of any particular group to be a disclosable interest per se, Members must be clear what steps then follow from a declaration of membership of the particular group. For instance, is membership of that group to require a withdrawal from taking part in a debate and/or decision making, with the result of curtailing a Member's ability to take an active part in Council business?
- 3.8 If membership of any particular group per se is to become a declarable interest under the Code, then Members must be able to clearly articulate the rationale behind that requirement and behind the step that must then be taken by a member as a consequence of them having declared that they are a member of the particular group.

- 3.9 An inability to articulate a clear, reasonable and defensible rationale may cause difficulties for the Council in terms of challenges from any particular group in question in respect of what the Council's classification of membership as a declarable interest implies about the group. A lack of a clear, reasonable and defensible rationale may also be subject to challenge on the basis that mandatory declaration is in breach of the Human Rights Act 1998 (as a breach of the right of free association) and so discriminatory.
- 3.10 Members should keep in mind that there are already provisions in the Code which require Members to declare interests and take appropriate action where a Member's membership of any other particular group should or might alter the nature of their involvement in any particular item of business that falls to them to be considered.
- 3.11 When determining what additional requirements to place on its Members in relation to additional or discretionary declarations required under its Code, the Council should consider the following:
- the basis on which the Council has decided to make it mandatory that a Member declare membership of specific organisation;
 - whether any declaration of other memberships/organisations should then equally apply;
 - whether a blanket declaration of a specific pecuniary/non pecuniary interest is necessary/desirable;
 - whether trying to define a personal interest by reference to specific memberships/organisations is the correct approach;
 - what restrictions are to be placed on Members who declare they have a pecuniary or non pecuniary interest on account of a membership of any particular organisation.
- 3.12 Whilst it may be desirable to revisit the types of "additional" or "discretionary" declarations (those not specifically required by statute) that should be required under the Code, it may be better for that consideration to be driven by a more precise set of criteria than by simple membership of an outside organisation per se. The criteria could be guided by the Nolan principles (the general principles set out as general obligations in the Code of Conduct) which focus on:-
- "disclose any interests which a member of the public with knowledge of the relevant facts would reasonably regard as so significant it is likely to prejudice a Member's judgement of the public interest ."*
- 3.13 Other local Councils have taken a similar approach including, for example, an obligation to declare a personal interest in any business of

the Council where it relates to or is likely to affect any body established for charitable purposes. This has been interpreted to include an obligation to declare an interest as a Freemason in appropriate circumstances.

- 3.14 The general principles set out above would apply to such a scenario in any event if it would be the case that the personal interest of a Member, if known by a member of the public with knowledge of the all of the relevant facts, could reasonably regarded be as so significant it is likely to prejudice a Member's judgement of the public interest. Similarly, the general principle would invoke a declaration where the business of the Council did directly affect the Member's Lodge.
- 3.9 There is a separate and corresponding Code of Conduct of Officers. That Code deals with Financial and Non-Financial Interests at section 8. This Code does provide more guidance in assisting Officers to decide whether to declare financial and non-financial interests. It is arguable that the requirements on Members and Officers should correspond (and be no more or less onerous) given that decisions by either Members or Officers should be subjected to equally high standards of conduct and are viewed in the same way by the public.
- 3.10 It should be noted that the Council is currently undertaking a comprehensive review which review includes the Codes of Conduct. It therefore appears appropriate that any discussion about and subsequent development of criteria for declaration of pecuniary and non-pecuniary interests (for both Officers and Members) be continued as part of the consultation on and feedback from that review.
- 3.11 It is suggested that the general principle of setting criteria in the form of a general requirement by which that Members are required to consider their interest and reflect it against the Nolan principles be supported rather than declaration of interests in individual organisations per se.

3 Wards Affected

- 4.1 The Code applies to all Members transacting business across all wards.

5.0 Local Ward Members

- 5.1 The Code and any changes to it apply to all Members.

6.0 Policy Implications

- 6.1 Discussed in the body of the report

7.0 Implications for Rural Communities

- 7.1 There are no identified implications for rural communities over and above any other type of community

8.0 Financial Implications

- 8.1 None immediately arising

9.0 Legal Implications

- 9.1 Discussed in the body of the report, relating to the requirements of Member standards generally and risks around identifying membership of any particular organisation as a declarable interest per se.

10.0 Risk Management

- 10.1 Discussed in in the body of the report.

11.0 Background and Options

- 11.1 Discussed in the body of the report.

12.0 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: 1st June 2017
Report of: Corporate Manager Governance and Audit
Title: Work Plan 2017/18

1.0 Report Summary

- 1.1 The report presents an updated Work Plan (Appendix A) to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:
- consider the Work Plan and determine any required amendments;
 - note that the plan will be brought back to the Committee throughout the year for further 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 enable the Committee to fulfil its responsibilities.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

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

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

- 8.1 The Work Plan for 2017/18 takes account of the requirements of the Accounts and Audit (England) 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 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.

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

- the inclusion of each item on its agenda results in added value; as
 - 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; as
 - an audit committee should operate at a strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers
 - the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings.

10.3 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: Principal Auditors

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Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
1st June 2017: <i>Agenda items relating to the closure of accounts and the Annual Governance Statement, plus item re Notice of Motion which needs to be considered</i>			
External Audit – Update Report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Audit and Governance Committee Self-Assessment	Self- assessment of the effectiveness of the Committee, which provides an assurance for the Annual Governance Statement.	40	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.
Annual Report on Risk Management	Annual report on the effectiveness of risk management arrangements in the Council	10	To monitor the effective development and operation of risk management in the council.
		11	To monitor progress in addressing risk related issued reported to the committee
Internal Audit Annual Report 2016/17	Opinion on the overall adequacy and effectiveness of the Council's control environment for 2016/17	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</p>

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
			together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
Draft Annual Governance Statement (AGS) 2016/17	This report introduces the draft 2016/17 Annual Governance Statement to the Committee for consideration and comment	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
		7	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
Draft Pre-Audit Statement of Accounts 2016/17	This report introduces the 2016/17 pre-audit statement of accounts to the Committee for consideration and comment.	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.
Notice of Motion: Freemasonry	This Committee will receive a response to the Notice of Motion raised on the Membership of		At the request of Council 15 th December 2016

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
Membership	Freemasons		
Work Plan	Forward looking programme of meetings and agenda items 2017/18 to ensure comprehensive coverage of the Committee's responsibilities.	All	
3rd August 2017 <i>Items related to AGS and Closure of Accounts only</i>			
External Audit Findings Report 2016/17	Summary of findings from the 2016/17 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 and 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
2016/17 Audit Findings and Action Plan	This report sets out the management response to the 2016/17 Audit Findings Report presented by the external auditors to the Audit & Governance Committee.	37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
Statement of Accounts 2016/17 Audited	Approval of the Audited Statement of Accounts for 2016/17	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

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
			Council.
Annual Governance Statement 2016/17	Approval of the Annual Governance Statement 2016/17.	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.
Annual Report of the Audit and Governance Committee 2016/17	Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council.	40	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.
Work Plan	Forward looking programme of meetings and agenda items 2017/18 to ensure comprehensive coverage of the Committee's responsibilities.	All	
29th September 2017			
Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2016/17	Summary of formal feedback received from customers during 2016/17 together with a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for 2016/17.	42	To seek assurance that customer complaint arrangements are robust.
RIPA compliance	This report provides an update on how the Council has complied with RIPA legislation during 2016/17.	8	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
			reports and assurances.
Members Code of Conduct: Standards Report	The report gives details of the numbers and outcomes of complaints under the Code of Conduct for Members for the period since the last update.	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).
Counter Fraud Update	Presentation on the latest national and local situation with regards to countering fraud and corruption.	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
Treasury Management Annual Report	This report will update the Committee on Treasury Management Activity.	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Risk Management update	This report will update the Committee on Risk Management activity in 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.
Whistleblowing Policy	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2016/17.	41	To approve and monitor Council policies relating to "whistleblowing" and anti fraud and corruption.

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
Work Plan	Forward looking programme of meetings and agenda items 2017/18 to ensure comprehensive coverage of the Committee's responsibilities.	All	
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee. Approved WARNs will also be presented as a Part 2 item.	38	To receive retrospectively for information all notices of waiver which are used when consent is sought to depart from the requirements of the Council's Contract Procedure Rules, and all notices which are used to record any non-adherence to those Rules.
<i>It should be noted that the following items will be presented to the Committee but have not, as yet, been allocated to a specific agenda</i>			
Review of the Council's procurement arrangements	Following agreement with TITAN, an audit has commenced during March 2017. The purpose of the audit is to provide assurance that arrangements currently in place to manage procurement activity are appropriate and effective. The outcome of this work will be reported to a future meeting of the Audit and Governance 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. At the request of Members, 8 th December 2016 Audit and Governance Committee.
Upheld Complaints to the Local Government Ombudsmen	Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
		42	To seek assurance that customer complaint arrangements are robust.

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
	<p>responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> if there have been any upheld complaints to be reported on to the next agenda the appropriate part of the agenda for the report to be considered clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. 	43	<p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p>
Value for Money Arrangements.	Assurance with regard to both the arrangements to ensure value for money and the progress in achieving value for money.	8	<p>To consider the Council's arrangements to secure value for money and to review and scrutinise assurance and assessments on the effectiveness of these arrangements.</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>
Work Programme for Member/Officer Working Groups	<p>Forward looking programme of meetings and agenda items to:</p> <ul style="list-style-type: none"> enable individual Members to become more 	44	The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
	<p>involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise</p> <ul style="list-style-type: none"> • address some of the more time consuming aspects of the Committee's work. • ensure that the Committee continues to work effectively and fulfils its purpose. 		within the terms of reference of the Committee.
Feedback from Member/Officer Working Groups	The outcome of Member/Officer Groups work which, where possible, will be fed back to the Committee during the relevant agenda item. However, some of the feedback may, at the request of the Committee, require specific reports.	44	The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee.
Business Continuity Plans Report.	A report on the progress of the implementation of the Council's Business Continuity arrangements.	12	<p>To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.</p> <p>At the request of Members in June 2016.</p>
Independent assessment of post procurement /contract delivery	Assurance on the effectiveness of contract delivery/procurements.		At the request of Members in September 2016 following discussion on WARNS and Procurement.

Work Plan 2017/18

		Terms of Reference – June 2016	
Agenda Item	Description	No	Detail
Impact on the Council of the negotiations to leave the European Union (EU).	Assurance on the Council's plans and arrangements in response to the negotiations to leave the EU, with the formation of the new government, subsequent national and local policies and potential financial consequences.	11	To monitor progress in addressing risk related issues reported to the Committee.

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