

Audit and Governance Committee

Agenda

Date: Tuesday 31st July 2018
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 top of each report.

It should be noted that Part 1 items of Cheshire East Council decision making 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 paragraph 2.32 of the Committee Procedural Rules and Appendix 7 to the Rules 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 or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

For requests for further information

Contact: Rachel Graves

Tel: 01270 686473

E-Mail: rachel.graves@cheshireeast.gov.uk with any apologies

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

4. **Minutes of Previous Meeting** (Pages 5 - 12)

To approve the minutes of the meeting held on 31 May 2018 as a correct record.

5. **External Audit Findings and Action Plan 2017/18**

To consider the report of Grant Thornton, the external auditors, on their findings from the 2017/18 audit. REPORT TO FOLLOW

6. **Annual Statement of Accounts 2017/18**

To consider the Statement of Accounts 2017/18. REPORT TO FOLLOW

7. **Audit and Governance Committee Annual Report 2017/18** (Pages 13 - 38)

To consider the draft version of the Annual Report of the Audit and Governance Committee 2017/18 and agree the final version of the report that will go to Council on 18th October 2018.

8. **Annual Governance Statement 2017/18** (Pages 39 - 88)

To receive and approve the proposed final Annual Governance Statement 2017/18 for signature by the Leader of the Council and the Acting Chief Executive.

9. **Risk Management Update Report** (Pages 89 - 96)

To receive a summary on risk management activity since the previous report at the end of May 2018.

10. **Internal Audit Procurement Review** (Pages 97 - 102)

To receive an overview of the recent Internal Audit review of procurement.

11. **Information Governance Update** (Pages 103 - 106)

To receive an update on progress with General Data Protection Regulation.

12. **Best4Business Project**

To receive a presentation on the governance and assurance arrangements for the Best4Business Project.

13. **Maladministration Decision Notices from Local Government Ombudsman – February – March 2018** (Pages 107 - 112)

To receive an update on the Decision Notices issued by the Local Government Ombudsman when their investigations have found maladministration causing injustice to complainants.

14. **Committee Work Plan 2018/19** (Pages 113 - 134)

To consider the Committee's Work Plan for the remaining meetings in 2018/19.

15. **Contract Procedure Rule Waivers and Non-Adherences** (Pages 135 - 140)

To receive an update on the number and reasons for waivers and non-adherences which have been approved between 1 April - 30 June 2018.

16. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 - MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

17. **Contract Procedure Rule Waivers and Non-Adherences**

To note the approved WARNs between 1 April - 30 June 2018.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 31st May, 2018 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)

Councillors S Corcoran, R Fletcher, L Gilbert, A Kolker, N Mannion, G Merry,
A Stott and S Edgar and A Stott.

Members in attendance:

Councillors P Bates, J Clowes, L Durham and P Findlow.

Officers in attendance:

Suzanne Antrobus – Legal Services Team Manager
Joanne Butler – Business Governance and Risk Manager
Josie Griffiths – Principal Auditor
Gareth Pawlett – Chief information Officer
Sandra Smith – Compliance and Customer Relations Manager
Alex Thompson – Head of Finance and Performance
Michael Todd – Principal Auditor
Juan Turner - Compliance and Customer Relations Officer
Joanne Wilcox – Finance Lead Corporate
Jan Willis – Interim Executive Director of Corporate Services
Cherry Foreman – Democratic Services Officer

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors T Dean and
M Sewart.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

4 MINUTES OF PREVIOUS MEETING

Consideration was given to the minutes of the meeting held on 15 March
2018 and the following amendments were made:

- Minute 52 (Members Code of Conduct: Standards Report) added
that Members had requested that complaints be dealt with quickly

- Minute 53 (Informing the Risk Assessment for Cheshire East Council) amended the final sentence of para 4 of the preamble to say “*The possibility of fraud in the planning process*”
- Minute 61 (Contract Procedure Rule Non-Adherences) added that the reduction in the number of WARNs was welcomed

RESOLVED

That subject to the above amendments the minutes of the meeting held on 15 March 2018 be approved as a correct record.

5 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

Consideration was given to the report of Grant Thornton for the year ended March 2017; an interim audit had been completed and work on the final accounts was due to begin on 1 June. Progress on their work to date was set out.

The Committee also considered the summary report of Grant Thornton on a formal objection to the accounts in respect of sleep-in payments. The Committee was advised that the External Auditors had not upheld the objection but did agree with the Internal Audit investigation findings that some aspects could have been handled better. The report included a small number of actions arising from the findings which reflected lessons learned from the review. Members were informed that Cheshire East had been one of the first Councils to regularise its position in relation to this matter as the Mencap case progressed and that the actions of the Council were in line with, if not ahead of, other Councils. It was also acknowledged that there remained some uncertainty around whether back payments should be made over two or six years and that this would be finalised following the conclusion of the Mencap appeal.

The Committee was also informed that External Audit had found no evidence of dishonesty of holding matters back and that the Council had kept a watching brief for the right reasons.

RESOLVED

That the report be received.

6 INTERNAL AUDIT ANNUAL REPORT 2017/18

Consideration was given to the Internal Audit Annual Report for 2017/18 on the overall adequacy and effectiveness of the Council's control environment. Despite a limited audit resource it was reported that the team had delivered sufficient coverage to an appropriate standard to enable an informed opinion to be provided and the Council's framework of risk management, control and governance had been assessed as Adequate.

In response to questions from Members clarification was given on a number of specific matters including that the current Internal Audit review of the Council's travel booking system would include travel booked on behalf of Members, the staffing position in Internal Audit would be resolved upon completion of an ongoing restructure programme, and that the reference to overpaid/misspent direct payment monies was not in any way connected to Empower Cards that had previously been used to deliver this service. In response to a question on investigations that had been undertaken during the year further information was provided in relation to the use of purchase cards

RESOLVED

That the Internal Audit Report, and the opinion on the Council's framework of risk management, control and governance for 2017/18, be noted.

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

The Committee considered this report on the performance of the Council in responding to requests for information under the above Acts. Included in it were the number of requests received, details relating to the increase in the number of complex cases being dealt with, and the key changes and implications of new legislation both legally and financially. For the first time the annual report also included statistics in respect of refusal notices being issued.

RESOLVED

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

8 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000

The Committee considered an update on how the Council has complied with the RIPA legislation during 2017/18 and the number of applications authorised in that period. It was also reported that the next inspection of the Councils use of and compliance with the legislation was next due in Spring 2019.

RESOLVED

That the performance of the Council in respect of compliance with the Regulation of Investigatory Powers Act 2000, and the ongoing and future developments, be noted.

9 CUSTOMER FEEDBACK - COMPLAINTS, COMPLIMENTS AND REFERRALS TO THE LOCAL GOVERNMENT OMBUDSMAN 2017/18

This report summarised the formal feedback received from customers during 2017/18 and administered under the Council's Corporate Compliments, Suggestions and Complaints Policy, and also the Council's Adults and Children's Social Care Complaints Policies. The report also summarised the cases dealt with by the Local Ombudsman and provided a breakdown of the investigations in which maladministration causing injustice was found.

The number of complaints, compliments and suggestions received across the different service areas were compared with those for previous years and it was reported that the majority were resolved in their first stage. An appendix detailed the most frequent complaints and clarification was given in respect of increases in complaints concerning waste and recycling which largely related to a lengthy period of adverse weather conditions and to the relocation of recycling points. In discussing the increase in complaints for children's services it was explained that some of these related to a shortage of educational psychologists which had resulted in the delayed production of education and health plans. In all cases the report indicated what actions were being taken to ameliorate the situation in both the short and long term; it was also confirmed that where maladministration had been found subsequent training sought to prevent any re-occurrence.

RESOLVED

That the report be noted.

10 ANNUAL AUDIT AND GOVERNANCE COMMITTEE SELF ASSESSMENT

The Committee considered the results of a self assessment of its effectiveness carried out by the Chairman and the Vice-Chairman using CIPFA guidance. It was noted that this guidance had been updated after the assessment had been done and any additional actions required to ensure the Committees continued compliance would be reported to a future meeting.

In discussing specific points set out in Appendix A (Good Practice) it was agreed that, with reference to point (18) relating to feedback, if the Minutes of the Council meeting where the Annual Report of the Committee was considered demonstrated that the scope of the debate had been limited then it would be moved from 'Yes' to 'Partly'.

RESOLVED

1. That, subject to the amendment set out above, the self assessment be approved.
2. That the actions arising from the assessment be endorsed and that a further report on the progress of these actions be considered at a future meeting of the Committee.

11 ANNUAL RISK MANAGEMENT UPDATE

Consideration was given to this annual report which recorded the work for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The report included key corporate and operational risks and specialist areas including those relating to ICT and cyber threat. It also detailed the related business continuity planning which was ongoing and the establishment of a Joint Business Continuity and Emergency Planning Liaison Group.

RESOLVED

1. That the Annual Report on Risk Management be noted.
2. That Cabinet be recommended to approve the updated Risk Management Policy and Appetite Statement, and the Business Continuity Policy Statement and Strategy attached as Annex A and Annex B of the report.

12 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2017/18

Consideration was given to the draft pre audit Statement of Accounts for 2017/18, to be published on the Council's website along side the draft Annual Governance Statement by 31 May. In addition a presentation was given on the accounts for the Cheshire East Group of Companies and for the single entity of Cheshire East Borough Council and this enabled Members to see an early summary of the accounts ahead of their formal responsibility to approve them.

Members were advised that the accounts had been prepared to accord with new reporting deadlines which involved the Statement of Accounts being approved after the completion of the External Audit and before 31 July 2018.

RESOLVED

1. That the summarised position of the accounts for the year ended 31 March 2018 be noted.

2. That the relevant dates for the approval of the Statement of Accounts be noted.

13 DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

The Committee considered the draft Annual Governance Statement which explained how the Council makes its decisions, manages its resources and promotes high standards of conduct and behaviour. This report related to 2017/18 but by the time it became final at the end of July Members were informed it would include information up to then.

Members considered the draft in detail and suggested some areas for clarification including details relating to the pre-budget consultations and the need to be consistent in the use of interim/acting in post descriptions. The committee welcomed the report and felt it offered a balanced view of actions in that time. It was requested that the documents used for future budget consultations should be more user friendly and it was confirmed that the communications team were already looking at ways to do this.

RESOLVED

That the report be received and the final statement be considered by the Committee at its next meeting and prior to publication on 31 July.

14 INFORMATION GOVERNANCE UPDATE

The Committee considered an update on key achievements of the Information Assurance and Data Management Team in relation to information governance and the introduction of the General Data Protection Regulations (GDPR) which had come into force on 25 May. It was reported that there had not been any Information Commissioners Office data protection incidents nor any enforcement actions or monetary penalties. The number of data breaches reported in the last year had, however, increased since although this had been anticipated due to increased awareness resulting in increased reporting.

In considering GDPR, and in response to a question concerning historic information on the planning portal, it was agreed that the Legal Services Team Manager would investigate as a matter of urgency.

RESOLVED

That the Information Assurance and Data Management Team's activities and progress in delivery of Information Governance, and the assurance on progress and delivery of activities in relation to the General Data Protection Regulations, be noted.

15 AUDIT AND GOVERNANCE COMMITTEE WORK PLAN 2018/19

Consideration was given to the Work Plan for 2018/19.

RESOLVED

That the Work Plan be approved and that it be brought back to the Committee throughout the year for further development and approval.

16 CONTRACT PROCEDURE RULE WAIVERS AND NON-ADHERENCES

The Committee considered a report on the number and reasons for Waivers and non-Adherences (WARNs) which had been approved between 1 February and 31 March 2018.

RESOLVED

That the report be noted and the reduced number of incidences be welcomed.

17 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.

18 CONTRACT PROCEDURE RULE WAIVERS AND NON-ADHERENCES

RESOLVED

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 5.10 pm

Councillor G Baxendale (Chairman)

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Audit and Governance Committee Annual Report 2017/18

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is for the Committee to consider the draft version of the Annual Report of the Audit and Governance Committee 2017/18 and agree the final version of the report that will go to Council on 18th October 2018.
- 1.2. Producing an annual report on the work of the Committee ensures compliance with best practice requirements and provides assurance to wider stakeholders on the continuing improvements of the Council's governance arrangements.

2. Recommendation

- 2.1. That the Committee considers the draft report 2017/18 at Appendix A and agrees the final version which will be presented to Council later this year.

3. Reasons for Recommendation

- 3.1. To report in line with the requirements of the Council's Constitution and the Audit and Governance Committee's Terms of Reference, which require a report to full Council on a regular basis.
- 3.2. The report should cover the performance of the Committee in relation to its Terms of Reference, and the effectiveness of the Committee in meeting its purpose.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Current CIPFA guidance, *Audit Committees, Practical Guidance for Local Authorities and Police* (2013) states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Aspects to consider include:
- whether the committee has fulfilled its agreed terms of reference
 - whether the committee has adopted recommended practice
 - whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
 - whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
 - what impact the committee has on the improvement of governance, risk and control within the authority.
- 5.2. The requirement to submit an annual report is included within Cheshire East Council's Constitution.
- 5.3. The CIPFA guidance has recently been updated. An exercise to review the existing Terms of Reference against the new guidance will be undertaken and reported back to the Committee later in the year.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Council's Constitution gives responsibility to the Audit and Governance Committee for overseeing the Council's roles and responsibilities in respect of Corporate Governance and Audit and specifically for submitting an annual report to Council. Production of the report ensures compliance with this requirement.

6.2. Finance Implications

- 6.2.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on the adequacy of the Council's governance arrangements, including the integrity of financial reporting processes.

6.3. Policy Implications

6.3.1. The production of the annual report and its presentation to Council ensures compliance with the CIPFA best practice guidance.

6.4. Equality Implications

6.4.1. There are no equality implications for this report.

6.5. Human Resources Implications

6.5.1. There are no direct human resource implications for this report.

6.6. Risk Management Implications

6.6.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on various aspects of the Council's governance arrangements, including the adequacy of the risk management framework.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. The work of the Audit and Governance Committee is not restricted geographically therefore all ward members are affected.

8. Access to Information

8.1. The draft annual report of the Audit and Governance Committee 2017/18 is attached as Appendix A to this report.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Josie Griffiths

Job Title: Principal Auditor

Email: josie.griffiths@cheshireeast.gov.uk

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Audit and Governance Committee

Annual Report 2017/18

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Foreword by the Chair of the Audit and Governance Committee

I have the honour to present this comprehensive detailed report on the work of the Audit and Governance Committee over the period 2017-2018.

There were a number of unplanned items which required the attention of the Internal Audit team and the Audit and Governance Committee during the period.

These have been dealt with as efficiently as possible, and the Committee has agreed a comprehensive work programme for the 2018/19 year.

Our terms of reference will be reviewed and updated as necessary following the publication of new CIPFA guidance.

I am pleased to note that the difficulties around staffing levels within Internal Audit are being worked through, and look forward to the implementation of the new structure supporting continued developments and improvements in the Council's governance.

The Committee has covered a broad range of work over the year, and what I find refreshing is the open and transparent way that issues are discussed and reported.

I would like to thank all those who have attended and contributed to the Committee over the year, especially the officers involved in preparing the various reports and presentations the Committee has received.

I am pleased and proud to chair this committee and will continue to represent all the residents of the Borough in the way in which we do,



Councillor Gordon Baxendale
Chair of the Audit and Governance
Committee

July 2018

1. Introduction to the Audit and Governance Committee

Governance is defined in the “Delivering Good Governance in Local Government: Framework” (CIPFA/SOLACE 2016) as follows

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.

Audit Committees are therefore an essential element of good governance. Good corporate governance requires independent, effective assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

These functions are best delivered by an Audit Committee independent from the executive and scrutiny functions.

Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

2. Audit and Governance Committee - Statement of Purpose

- The Audit and Governance Committee is a key component of the Council’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- It provides independent review of the Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

- It promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

The Audit & Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its [Terms of Reference](#).

Meetings of the Audit & Governance Committee were held on the following dates in the 2017/18 municipal year:

- 28th September 2017
- 7th December 2017
- 15th March 2018
- 31st May 2018
- 31st July 2018

The July 2018 meeting is referenced in this report as the final review and approval of the relevant 2017/18 outputs (such as the Statement of Accounts) will be presented and considered by the Committee on this date.

More information on the Audit & Governance Committee Meetings, including agendas, minutes and attendance details is available [here](#).

3. Governance, Risk and Control within Cheshire East Council

Reports have been received by the Audit and Governance Committee in the following areas, providing assurance and updates on the Council's governance, risk and control framework over the past year.

Internal Audit

Meeting	Reports received
1 st June 2017	Internal Audit Annual Report 2016/17
28 th September 2017	Update on Air Quality Data Internal Audit Report
	Update report on the Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards
7 th December 2017	Internal Audit Interim Report 2017/18
	Internal Audit Charter
15 th March 2018	Internal Audit Interim Report
	Internal Audit Plan 2018/19
31 st May 2018	Internal Audit Annual Report 2017/18

External Audit

Meeting:	Reports received:
1 st June 2017	External Audit Progress and Update Report
28 th September 2017	Grant Thornton – Audit Findings and Actions Plan Report 2016/17
7 th December 2017	Grant Thornton- Annual Audit Letter 2016/17
	Certification Report 2016/17 (Housing Benefit Subsidy Claim)
15 th March 2018	External Audit Plan 2016/17 - Update
	External Audit Plan 2017/18
	Arrangements for the Appointment External Auditors
31 st May 2018	External Audit Progress and Update Report
31 st July 2018	External Audit Findings Report 2017/18
	2017/18 Audit Findings and Action Plan (Management Response)

Risk Management

Meeting:	Reports received:
1 st June 2017	Risk Management Update Report
7 th December 2017	Risk Management Update Report

15 th March 2018	Risk Management Update Report
31 st May 2018	Annual Risk Management Update
31 st July 2018	Risk Management Update Report

Corporate Governance & Annual Governance Statement (AGS)

Meeting:	Reports received:
1 st June 2017	Draft Annual Governance Statement 2016/17
28 th September 2017	Annual Governance Statement 2016/17
7 th December 2017	Annual Governance Statement Progress Update
31 st May 2018	Draft Annual Governance Statement 2017/18
31 st July 2018	Annual Governance Statement 2017/18

Accounts, Financial Statements & Treasury Management

Meeting:	Reports received:
1 st June 2017	Draft Pre-Audit Statement of Accounts 2016/17
28 th September 2017	2016/17 Statement of Accounts
	Treasury Management Annual Report 2016/17
7 th December 2017	Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2018/19
15 th March 2018	Capital, Treasury Management and Investment Strategies - Update
31 st May 2018	Draft Pre-Audit Statement of Accounts 2017/18
31 st July 2018	2017/18 Statement of Accounts

Whistleblowing & Anti-Fraud and Corruption

Meeting:	Reports received:
28 th September 2017	Whistleblowing Arrangements 2016/17
15 th March 2018	The Council's Whistleblowing Arrangements and New Policy - Update

Information Governance

Meeting:	Reports received:
15 th March 2018	Presentation on the readiness of the Council to meet the requirements of the General Data Protection Regulations
31 st May 2018	Information Governance Update
31 st July 2018	Update on the Council's readiness for GDPR

Significant assurances the Committee has received during the year include:

- **2017/18 Internal Audit opinion:**
“The Council’s framework of risk management, control and governance is assessed as Adequate for 2017/18.” (May 2018)
- **2017/18 Financial Statements Opinion (External Audit):**
This is due to be presented to the 31st July 2018 meeting.
- **2017/18 Value for Money (VFM) Conclusion (External Audit):**
This is due to be presented to the 31st July 2018 meeting.
- **Audit Certificate for 2017/18 (External Audit)**
This is due to be presented to the 31st July 2018 meeting.

Note: This report will be updated to include further details on the above following the meeting on 31st July 2018 and prior to the report being submitted to Council on 18th October 2018.

4. Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The 2017/18 self-assessment was carried out with the Chair and Vice Chair against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2013 and the results reported to the Committee in May 2018.

The Committee self-assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented. In receiving the report in May 2018, the Committee noted the self-assessment and agreed that a further report on the progress of the actions be considered at a future meeting of the Committee.

The Committee’s 2018/19 Work Plan was developed in line with the Committee’s existing Terms of Reference to ensure that the Committee continued to work effectively and fulfil its purpose.

CIPFA recently released updated guidance for Audit Committees: “Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition”. The Committee’s Terms of Reference will be reviewed against the new guidance at the earliest opportunity during 2018/19 to ensure it is fully compliant.

5. Additional Assurance

It was agreed at the December 2015 meeting that future annual reports of the Committee be expanded to include greater details on any areas of additional work requested by the Committee to provide it with additional assurances, and that it also include analyses of its effectiveness.

Additional assurance work requested by the Committee has been provided around emerging issues including:

Whistleblowing Arrangements

In June 2017 the Committee was given an update on the effectiveness of the Council's Whistleblowing Policy for which it was responsible for overseeing the arrangements and reviewing its effectiveness. The report included a breakdown of the 13 reports received during 2016/17.

During 2017/18, Cheshire East Council appointed Public Concern at Work (PCaW) to deliver additional whistleblowing support to undertake a review of the current arrangements. In March 2018 the Committee received a report on the outcome of the review by PCaW along with details of recommended actions and improvements and was asked to consider a proposed Whistleblowing Policy.

Ombudsman complaints and lessons learnt

In May 2018 the Committee received a report on the Customer Feedback - complaints, compliments and referrals to the Local Government Ombudsman (LGO) for 2017/18.

The report included details of the complaints and enquiries received by the LGO in the period 1 April 2017 to 31 January 2018. Members were informed that during 2017/18 the LGO issued decision notices on 89 cases relating to Cheshire East. Of the 89 cases, 45 were closed after the initial enquiry, 23 were upheld in the customer's favour and 21 were not upheld. Of the 23 upheld cases, it was considered that in 8 of these cases there was no injustice to the complainant.

Update on Air Quality Data Internal Audit Report

In September 2017 the Committee received a report detailing the management actions agreed following the issue of the Air Quality Internal Audit Report. It was agreed Internal Audit would keep the Committee updated

on the progress in implementation of the agreed actions. As such, a follow-up review was carried out by Internal Audit, with a verbal update on the progress reported to the December 2017 and March 2018 meetings and the outcome of the review was subsequently included in the May 2018 Internal Audit 2017/18 Annual Report. The issue was also been recognised in the 2016/17 Annual Governance Statement, but has now been removed following the progress update to the December 2017 Audit and Governance Committee which recognised that substantial progress had been made in implementing the required actions.

In receiving the updates, the Committee is complying with its Terms of Reference in considering reports on the effectiveness of internal controls and requesting summaries of specific internal audit reports.

Reporting of all WARNs's (Waiver and Record of Non-adherence)

The Audit and Governance Committee has a key role in overseeing governance arrangements and requirement to review all approved WARNs. The WARN process forms part of the Contract Procedure Rules(CPR's) which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability.

Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered as part two, following exclusion of press and public from the meeting 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 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards (PSIAS)

In September 2017, the Committee received an update report on the Independent Public Sector Internal Audit Standards external assessment which subsequently took place in January 2018. The findings of the assessment, which will be supported by an action plan, are currently progressing through the agreed drafting and moderation process and will be reported to the next meeting of the Committee following their release.

Compliance with the Freedom of Information Act (2000), Environmental Information Regulations (2004) and the Data Protection Act 1998

In May 2018, the Committee received a report on the volumes and trends in the number of requests received under the above legislation. The report included details on the number of requests received, outcomes and number of complaints to the Information Commissioner's Office (ICO) during 17/18.

Compliance with the Regulation of Investigatory Powers Act 2000 (RIPA)

In May 2018, the Committee received an update report on how the Council has complied with RIPA legislation during 2017/18 and the number of RIPA applications which have been authorised during the period.

Information Governance

In May 2018, the Committee received an update report on the key achievements of the Information Assurance and Data Management (IADM) Team in relation to Information Governance (IG) and preparations for the introduction of the General Data Protection Regulation (GDPR), which came into force on 25th May 2018.

As part of the Work Plan for 2018/19, the Committee has requested that GDPR be a standing agenda item for future meetings.

Member's Code of Conduct

The Committee received update reports in both September 2017 and March 2018 relating to the Member's Code of Conduct. The reports set out the number of complaints received during the period which had been or were due to be considered by the Acting Director of Legal Service (in their capacity as the Authority's Monitoring Officer).

6. Members of the Committee

Members of the Committee during 2017/18 are set out in **Appendix 2**.

The Audit and Governance Committee has been supported by Officers providing reports in accordance with the Committee's work programme and at the request of the Committee.

The Committee has routinely been attended by the Interim Executive Director of Corporate Services, Acting Chief Executive, Acting Director of Legal Services & Interim Monitoring Officer, the Head of Finance and Performance and the Executive Director of Place. The Corporate Manager - Governance & Audit left the Authority in February 2017 and, as such, the Principal Auditors

are still in acting up arrangements to provide support and guidance to the Committee as would be provided by the Head of Internal Audit role.

7. Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out a number of statutory requirements such as approving the Financial Statements and the Annual Governance Statement. It has also ensured that it is up to date in adopting new guidance and/or recommended practice, including:

- Approving updates to the Internal Audit Charter, to ensure compliance with the Public Sector Internal Audit Standards
- Undertaking a self-assessment of the Committee, based on CIPFA guidance

The annual review of the Committee's Terms of Reference will be carried out in later in 2018/19 following the recent release of CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition. Committee members have received a copy of the updated CIPFA Audit Committees guidance.

8. Training and Development

The following training was carried out during the year:

- Induction for new and deputising Members of the Committee
- Annual Governance Statement & Role of the Audit Committee
- Risk Management
- Approving the Financial Statements

In addition, Members have access to copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit & Governance Committee Members.

During 2017/18, a self-assessment of the Committee's skills has been carried out to identify any training and development needs. As a result, the decision was taken for the Member/Officer Working Groups to also be reviewed following the outcome of the skills assessment. This work will be concluded later in 2018/19.

9. Work programme for 2018/19

The Committee has an agreed work programme for 2018/19, which includes the many annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas.

The forward looking work programme ensures comprehensive coverage of the Committee's responsibilities and in addition to this, the Committee will:

- Continue to develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified risks and assurances are identified as early as possible and remedial actions are taken in a timely fashion;
- Oversee any development required of the Audit and Governance Committee to comply with the requirements of recently updated CIPFA Audit Committees guidance;
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and moves towards becoming an open and transparent public organisation;
- Continue to support the work of internal and external audit and ensure that responses are given to their recommendations;
- Receive assurance on the implementation of the updated Public Sector Internal Audit Standards;
- Continue to help the Council to manage the risk of fraud and corruption;
- Continue to develop the Audit and Governance Committee to review risk and partnership issues and safeguarding of public sector assets;
- Equip existing and new Members to fulfil our responsibilities by providing more detailed and focused training on all key areas of responsibility, including financial arrangements and risk management, governance and audit planning;
- Monitor the progress of implementing the General Data Protection Regulations as a standing agenda item;
- Review the classes of interests to be declared by members of the Committee and update the Code of Conduct accordingly.

How the Audit and Governance Committee's Terms of Reference were met during 2017/18:

Terms of Reference of Committee	Relevant activity in 2017/18
Annual Report	
<p>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.</p>	<p>The September 2017 Committee meeting reviewed the 2016/17 annual report, this was subsequently received and noted by Council in October 2017.</p> <p>The July 2018 Committee meeting will review the 2017/18 annual report and it will be subsequently received and noted by Council later in 2018/19.</p>
Governance, Risk and Control	
<p>To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.</p>	<p>The Committee received and approved an update to the Code of Corporate Governance December 2016, which was subsequently approved by Cabinet in January 2017. Following on from this, the 2016/17 Annual Governance Statement (AGS) was developed and approved and the same process followed for the production of the 17/18 AGS – see below.</p>
<p>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.</p>	<p>An update on progress against the AGS 2016/17 Action Plan was received in December 2017 and the proposed process for the 2017/18 AGS was endorsed.</p> <p>The Committee received the draft 2017/18 Annual Governance Statement (AGS) in May 2018 and the final version will be presented at the July 2018 meeting.</p>
<p>To monitor the effective development and operation of risk management in the council.</p>	<p>The Committee received update reports on Risk Management in June 2017, December 2017, March 2018 and May 2018.</p>
<p>To monitor progress in addressing risk related issues reported</p>	<p>The Committee monitors Anti-Fraud and Corruption</p>

Terms of Reference of Committee	Relevant activity in 2017/18
to the committee and to review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources.	arrangements on an ongoing basis. The Audit and Governance Committee Member/Officer sub group for anti-fraud and corruption discusses and reviews arrangements and current issues as part of their work plan.
To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.	The Treasury Management 2016/17 Annual Report was received in September 2017. The 2018/19 Treasury Management Strategy and Minimum Revenue Position (MRP) Statement was reviewed at the December 2017 meeting. The Treasury Management 2017/18 Annual Report will be received by the Committee later in 2018/19.
Internal Audit	
To approve the internal audit charter.	An updated Internal Audit Charter was approved at the December 2017 Committee meeting.
To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	The Committee approved the Summary Internal Audit Plan 2017/18 in March 2017. The Committee monitored progress against the plan (December 2017 & March 2018). The Summary Internal Audit Plan 2018/19 was presented to the March 2018 Committee for approval.
To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed	Internal Audit interim reports against the 2017/18 plan were received in December 2017 and March 2018. Internal Audit interim reports include a summary of Internal Audit

Terms of Reference of Committee	Relevant activity in 2017/18
actions. To consider summaries of specific internal audit reports as requested.	work completed and the significant issues arising from individual assignments.
To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.	<p>The Committee is updated in the Head of Internal Audit annual opinion report on the progress made on assessment criteria required to comply with the Public Sector Internal Audit Standards.</p> <p>The Member/Officer sub group for audit covers the requirements in detail and the actions required, and feedback will now be presented to Committee.</p>
To consider the Head of Internal Audit's annual report.	<p>The 2016/17 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2017.</p> <p>The 2017/18 Internal Audit Annual Report was presented to the Committee in May 2018.</p>
To support the development of effective communication with the Head of Internal Audit.	<p>The Principal Auditors (in the absence of a Head of Internal Audit in post), meet on a regular basis with the Chair and Vice Chair of the Committee.</p> <p>There are also regular meetings of Member/Officer groups which meet on a regular basis to discuss a variety of assurance issues in more detail. These meetings include the Head of Internal Audit opinion.</p>
External Audit	
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	The 2016/17 Audit Findings Report and Action Plan were presented to Committee in September 2017 by the External Auditor.

Terms of Reference of Committee	Relevant activity in 2017/18
	<p>The 2016/17 Annual Audit Letter was issued in October 2017 and was reported to the December 2017 Committee meeting.</p> <p>The 2017/18 Audit Findings Report will be presented at the July 2018 Committee meeting.</p>
To consider specific reports as agreed with the external auditor.	The Committee received and considered the work of the External Auditor (all meetings during the year).
To comment on the scope and depth of external audit work and to ensure it gives value for money	Audit and Governance Member/ Officer sub-group for audit review external audit work throughout the year and assess the value that the Council receives from the work completed and reported.
To commission work from internal and external audit and to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	<p>The Audit and Governance Committee and the Member/Officer sub groups consider the work plan at all meetings and commission additional work where Committee members determine that additional assurance is required.</p> <p>The relationship between Internal and External Audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.</p>
Financial Reporting	
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.	<p>The Statement of Accounts 2016/17 was approved at Committee in September 2017.</p> <p>The draft Pre-Audit Statement of Accounts 2017/18 was presented to the May 2018 Committee.</p>
To consider the external auditor's report to those charged with	The 2016/17 Audit Findings and Action Plan was presented to

Terms of Reference of Committee	Relevant activity in 2017/18
governance on issues arising from the audit of the accounts.	<p>Committee in September 2017 by the External Auditor.</p> <p>The 2016/17 Annual Audit Letter was issued in October 2017 and was reported to the December 2017 Committee meeting.</p> <p>The 2017/18 Audit Findings Report will be presented at the July 2018 Committee meeting.</p>
Related Functions	
To approve and monitor Council policies relating to “whistleblowing” and anti-fraud and corruption.	<p>An update on the effectiveness of the Council’s current Whistleblowing Policy and a breakdown of the number of reports for 2016/17 were reported to the September 2017 Committee.</p> <p>In March 2018 the Committee received a report on the outcome of the external review of the Council’s whistleblowing arrangements and approved the proposed new Whistleblowing Policy.</p>
To seek assurance that customer complaint arrangements are robust	<p>Annual Report of Customer Feedback – Complaints, Compliments and Referrals to the Local Government Ombudsman 2016/17 presented to Committee in September 2017.</p> <p>The Customer Feedback – Complaints, Compliments and Referrals to the Local Government Ombudsman 2017/18 Report was presented to the May 2018 Committee meeting.</p>
Standards	
Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of	Members Code of Conduct Standards Reports recording decisions relating to complaints were submitted to the

Terms of Reference of Committee	Relevant activity in 2017/18
the Council (including co-opted Members and other persons acting in a similar capacity).	Committee in September 2017 and March 2018.
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year.
Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.	The Committee meeting in September 2016 approved the Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2020).

Membership of the Audit and Governance Committee during 2017/18:

Current Members of the Audit and Governance Committee	
	<p>Councillor Gordon Baxendale (Chair) Councillor Baxendale has been with Cheshire East Council from its inception in April 2009, and has been a member of the Audit and Governance Committee since June 2015. He chaired his first meeting in December 2016.</p>
	<p>Councillor Mike Sewart (Vice Chair) Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p>
	<p>Councillor Sam Corcoran Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.</p>
	<p>Councillor Tony Dean Councillor Dean became an elected member of Cheshire East Council in May 2015. He is joined the Committee in June 2017.</p>
	<p>Councillor Rod Fletcher Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Committee since May 2011.</p>
	<p>Councillor Les Gilbert Councillor Gilbert has been an elected member of Cheshire East Council since its beginning in April 2009. He joined the Committee in May 2016.</p>

Current Members of the Audit and Governance Committee	
	<p>Councillor Andrew Kolker Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p>
	<p>Councillor Nick Mannion Councillor Mannion became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p>
	<p>Councillor Gill Merry Councillor Merry has been an elected member of Cheshire East Council since its beginning in April 2009. She joined the Committee in June 2017.</p>
	<p>Councillor Amanda Stott Councillor Stott became an elected member of Cheshire East Council in May 2015, and has been a member of the Audit and Governance Committee since June 2015.</p>
No image available.	<p>Philip Gardener Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p>

It should also be noted that the following Councillors deputised for members of the Audit & Governance Committee, the Councillors received the necessary induction training prior to the meetings:

1st June 2017:

- Councillor Dorothy Flude
- Councillor Steven Edgar

7th December 2017:

- Councillor James Nicholas

31st May 2018:

- Councillor Steven Edgar

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Annual Governance Statement (AGS) 2017/18

Senior Officer: Jan Willis, Interim Executive Director Corporate Services

1. Report Summary

- 1.1. The purpose of this report is for the Committee to receive and approve the proposed final Annual Governance Statement 2017/18 for signature by the Leader of the Council and the Acting Chief Executive. Once approved the AGS will accompany the Statement of Accounts and be published on the Council's website.
- 1.2. The Council's assessment of its governance arrangements for 2017/18 has recognised four governance issues. It also summarises the progress made across the Council in managing issues identified in previous Statements. The proposed final statement for 2017/18 is provided in Appendix 1.

2. Recommendation

- 2.1. That the Committee approves the Annual Governance Statement 2017/18.

3. Reasons for Recommendation

- 3.1. In accordance with the Accounts and Audit Regulations 2015, the Annual Governance statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the Statement of Accounts is approved and no later than 31st July. The Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. The Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised

CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015.

- 5.2. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix 1 are the results of that review
- 5.3. The Committee considered the draft Annual Governance Statement at the May 2018 meeting. The AGS has been amended to take account of Members feedback from that meeting, and also reflects where updates have been provided in relation further progress on items, or to clarify details.
- 5.4. Once finalised, the AGS will be published on the Council's website, along with the Statement of Accounts, for members of the public, Members, Officers and other stakeholders to view. Further progress reports on items recognised in the Annual Governance Statement will be provided to the Audit and Governance Committee as part of its work programme.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Production of the Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit England Regulations 2015.

6.2. Finance Implications

- 6.2.1. There are no specific financial implications. The production of the AGS aligns with the production of the Council's Annual Accounts and is published alongside the audited accounts.

6.3. Policy Implications

- 6.3.1. There are no specific policy implications.

6.4. Equality Implications

- 6.4.1. There are no specific equality implications.

6.5. Human Resources Implications

- 6.5.1. There are no specific Human Resources implications.

6.6. Risk Management Implications

6.6.1. The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015. Failure to do so could result in non-compliance with the requirements of the Regulations.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. Not applicable

8. Consultation & Engagement

8.1. The draft Annual Governance Statement has been considered by the Audit and Governance Committee in May 2018.

9. Access to Information

9.1. The proposed final Annual Governance Statement 2017/18 is attached as Appendix A to this report.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Josie Griffiths

Job Title: Principal Auditor

Email: josie.griffiths@cheshireeast.gov.uk

Proposed FINAL Annual Governance Statement 2017/18

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1. Executive Summary and Approval

- 1.1. Each year the Council produces an Annual Governance Statement that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. The Annual Governance Statement reports on:
- how the Council complies with its own governance arrangements;
 - how the Council monitors the effectiveness of the governance arrangements;
 - improvements or changes in governance arrangements proposed for the forthcoming year.
- 1.3. The Council’s Interim Executive Director of Corporate Services, as Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions and endorses the Internal Auditor’s opinion on the Council’s control environment:

The Council’s framework of risk management, control and governance is assessed as adequate for 2017/18

- 1.4. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. Our assessment of the effectiveness of our governance arrangements for 2017/18 has identified governance issues as described in Section 8.
- 1.6. The Council has previously recognised a number of significant governance issues in previous Statements, some of which have continued or further developed over the course of 2017/18. Progress updates on these items are described in Section 7. In 2015/16 the Council recognised Health and Social Care Integration and Council Funding, as “continuing governance” issues, and these are reported on again within Section 7 of this Statement.
- 1.7. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the

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improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

THIS SECTION WILL BE SIGNED BY THE LEADER AND ACTING CHIEF EXECUTIVE AFTER THE FINAL AGS IS AGREED

*Councillor Rachel Bailey
Leader, Cheshire East Council*

*Kath O'Dwyer
Acting Chief Executive, Cheshire East Council*

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2. Introduction

- 2.1. The Accounts and Audit Regulations 2015 require that
- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control
 - Findings of this review should be considered by the Council
 - The Council must approve an Annual Governance Statement; and
 - The Annual Governance Statement must accompany the Statement of Accounts.
- 2.2. For Cheshire East Council, the Audit and Governance Committee has delegated authority to undertake these duties on behalf of the Council.

3. Scope of Responsibility

- 3.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Local Government Act 1999 also places a duty on all councils to secure continuous

improvement and to demonstrate economy, efficiency and effectiveness.

- 3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 3.3. In [January 2017](#), Cabinet approved and adopted an [updated Code of Corporate Governance](#) that is consistent with the principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework [Delivering Good Governance in Local Government](#) (2016). These are outlined below and summarised in Figure 1.
- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes

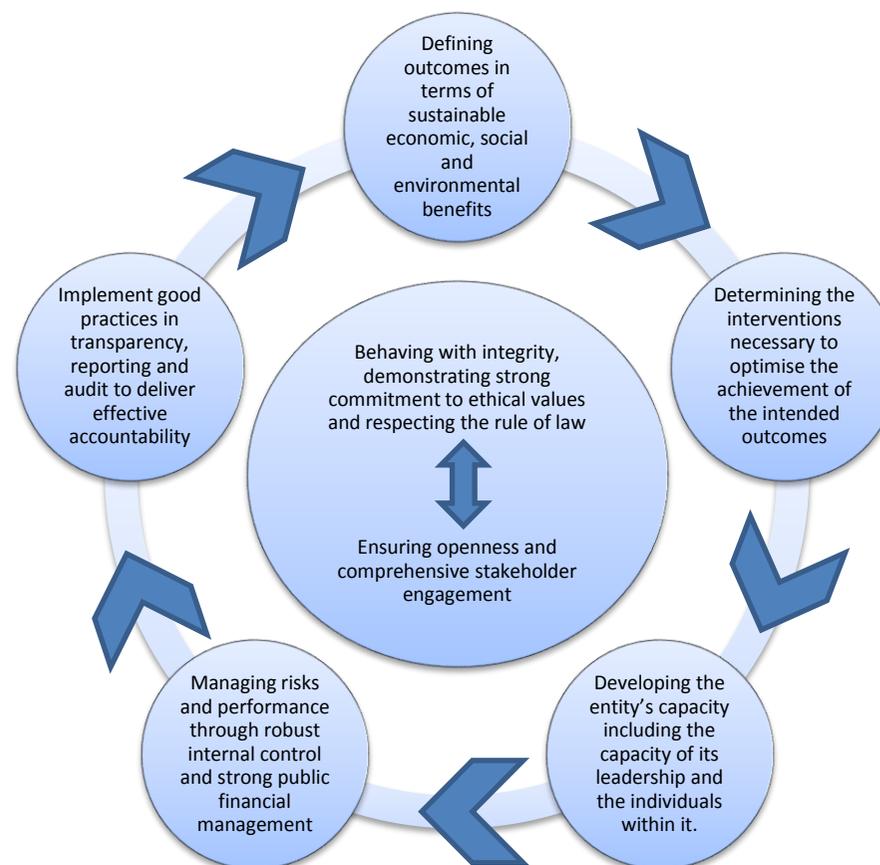
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- E. Developing the entity’s capacity including the capacity of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implement good practices in transparency, reporting and audit to deliver effective accountability

3.4. The annual review of effectiveness has been carried out against the updated Code of Corporate Governance. The draft AGS was considered by the 31st May 2018 Audit and Governance Committee. It has been updated as necessary in response to suggestions from Members and Senior Officers, to ensure the Statement remains current for when the Audit and Governance Committee consider it as Final on 31st July 2018.

3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and the Acting Chief Executive. It will then be published alongside the Statement of Accounts.

Figure 1: Principles in the Council’s Code of Corporate Governance



3.6. The Annual Governance Statement provides assurance that:

- governance arrangements are adequate and operating effectively in practice; or
- where reviews of the governance arrangements have revealed improvements are required, action is planned to ensure effective governance in future.

4. The Purpose of the Governance Framework

4.1. The Governance Framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. This covers services provided and managed directly by the Council, and arrangements delivered through external partners, including the Council's wholly owned companies.

4.2. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute

assurance of effectiveness. It is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and the impact should they be realised;
- and to manage them efficiently, effectively and economically.

5. The Governance Framework

5.1. The Council's Code of Corporate Governance includes examples of how the Council demonstrates the principles in practice and operation. Therefore, to minimise duplication, it is only supplementary examples and features of the Council's governance framework, specific to 2017/18 which are set out below.

5.2. The Governance Framework described below and also shown in **Appendix 1** has been in place for the year ended 31st March 2018 and to the time of the AGS being approved by Audit and Governance Committee in July 2018 unless otherwise indicated.

Defining outcomes in terms of sustainable economic, social and environmental benefits

5.3. Cheshire East Council's priorities are outlined in the Council's Corporate Plan. The updated [Corporate Plan for](#)

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- [2017/20](#) was agreed by full Council on 23rd February 2017. The Corporate Plan forms the basis for developing proposals within the Medium Term Financial Strategy (MTFS 2018/21).
- 5.4. The Corporate Plan recognises that the Council does not have a fixed ideology on how best to deliver services, and will instead adopt a “best fit” approach for the most appropriate delivery mechanism for our services to enable us to achieve our corporate outcomes.
- 5.5. The [MTFS 2018-21](#) was agreed at the February 2018 Council meeting. The report sets out the Council’s plan and required funding to ensure Cheshire East remains one of the best places to live in the North West.
- 5.6. Progress against the Corporate Plan is reported to [Cabinet](#) on a quarterly basis. The reports demonstrate performance of the Council aligned to the outcomes defined in the Corporate Plan, and how priorities are being managed to achieve the best results for local residents. Performance reports are also considered by the Overview and Scrutiny Committee who provide comments to Cabinet.
- 5.7. The 2017/18 Final Outturn of Performance was reported to [Cabinet](#) and to the [Corporate Overview and Scrutiny Committee](#) in June 2018.
- 5.8. Delivery of the Corporate Plan is supported by service plans, team plans and individual performance development reviews. An updated business planning process was introduced to support planning for 2017/18, with a view to allowing greater alignment between delivery objectives, performance targets, risk management and the expectations around values and standards set by the organisation. The process continues to be reviewed, refined and developed.
- 5.9. [Council](#) approved the adoption of the Local Plan Strategy on 27th July 2017. The Local Plan sets planning policy and allocates sites for development. The adoption of the Local Plan represents greater certainty about growth and development within the plan area, and makes sufficient provision for at least 5 years supply of housing land.
- 5.10. In [April 2017](#), Cabinet received a report on the Council’s plans to connect with the Voluntary, Charity and Faith (VCF) sector. The aim outlined in the report was to ensure the VCF sector had a voice, support the VCF sector to work with us to deliver services and activities to our most vulnerable communities and deprived neighbourhoods to prevent demand and intervene at an early stage and provide a clear understanding to the VCF sector on their relationship with the Council.

- 5.11. Following a competitive process, the Council awarded a contract for VCF infrastructure to Cheshire East Council for Voluntary Service (CVS), for a term of three years, beginning on 1st April 2017.
- 5.12. [“Connected to Decision Making”](#) was considered by Cabinet in November 2017. This report outlined opportunities for local people to influence policy and decision making, developing community working and the co-production of local services with residents.
- 5.13. The report set out a work plan for the Council to apply the principles of participatory budgeting in the mainstream commissioning cycle when appropriate, allowing communities to be better informed and part of the decision making process. The development of participatory budgeting will ensure residents and key stakeholders are better informed on the use of public money via the commissioning of services, and co-produce community based solutions.
- 5.14. During 2017/18 the Council has also approved a number of infrastructure improvements and developments across the Cheshire East area. These major schemes are critical elements in delivering the ambitions of the Council.
- 5.15. Proposals, business cases, and progress reports on a variety of transport schemes were considered and endorsed during 2017/18. This includes the Middlewich Eastern Bypass, Sydney Road Replacement Bridge, Crewe Green Roundabout improvements, Poynton Relief Road, and the Supported Local Bus Service Review amongst others.
- 5.16. These schemes are all linked to the key outcomes in supporting economic, physical and social regeneration, improving the reliability of public transport and the delivery of key infrastructure developments to improve the efficiency and reliability of the highway network.
- 5.17. The sustained and increasing financial pressures on health and social care services continue to present governance challenges to the Council. These are captured as high scoring risks in the Council’s Corporate Risk Register, and have been recognised by the Council in previous Annual Governance Statements, with the inclusion of “Health and Social Care Integration” as a continuing governance issue. An update on the actions undertaken during 2017/18 to manage this issue is provided later in this Statement.

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Determining the interventions necessary to optimise the achievement of the intended outcomes

- 5.18. The Council's [Constitution](#) sets out comprehensively the rules for conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation.
- 5.19. During 2017, the Council's Constitution was subject to an extensive and systematic review. This process began at officer level, and as proposals developed, a sub committee of the Constitution Committee was convened to consider changes to the Constitution and make recommendations to the Committee.
- 5.20. The review was undertaken to ensure that the Council's Constitution complied with all statutory requirements, and to examine how the current processes and procedures could be altered to improve organisational efficiency and achieve stronger governance. An external solicitor was appointed to support the review process. At its meeting in August 2017, the Constitution Committee endorsed seven principles for the review of, and production of a revised Constitution;
- Recognise the Council's Democratic leadership role

- Support, not hinder the efficient exercise of democratic decision making, good governance and the delivery of services
- Be modern in its language, format and presentation
- Be concise, covering only those essential issues which need to be in the formal Constitution and sign-posting to other documents and sources.
- Recognise the varied ways in which the Council operates (for example, through ASDVs and shared services);
- Delegate decision making to the most appropriate level with the right checks, balances and scrutiny; and
- Be future proof, not requiring constant revisiting and updating.

5.21. Progress reports were provided to the Constitution Sub Committee and Committee throughout the process, which included a joint officer/member workshop and drop in sessions for Members to cover the review process and the key changes being proposed.

5.22. Council approved the recommendation from Constitution Committee to approve the revised Constitution at its meeting on 14th December 2017, and the revised Constitution came into operation on 1st January 2018.

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Since adoption, a number of “Living Document Changes” have been identified. The first of these were considered by the Constitution Committee in March 2018.

- 5.23. As changes are made to the [Constitution](#) it is updated on the Council’s website. Previous versions of the Constitution are also available for reference. During the review of the Constitution, consideration was given to the content and format of the document, and opportunities taken to make the Constitution easier to navigate and to understand. This included increasing the use of hyperlinks to direct the reader to content available elsewhere on the Council’s websites, avoiding duplication in the Constitution document.
- 5.24. The Terms of Reference for the Health and Wellbeing Board were approved by Council in [May 2017](#), on the recommendation of the Constitution Committee. The Board’s Terms of Reference require that they are reviewed annually to ensure they remain fit for purpose.
- 5.25. The Council undertook extensive [pre-budget consultation](#), setting out change proposals for consideration over the period 2018/21. This consultation launched in November 2017, and remained open until the Council meeting approving the budget in [February 2018](#).
- 5.26. The results of the consultation formed part of the consideration of the [Medium Term Financial Strategy](#)

[2018/21](#) by Council at its February 2018 meeting. The Medium Term Financial Strategy clearly identifies how resources will be matched against the delivery of priorities established in the Council’s Three Year Plan.

- 5.27. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council’s Reserves Strategy. As part of the MTFFS, [High Level Business Cases](#) have been made available on the Council’s website.

Developing the entity’s capacity including the capacity of its leadership and the individuals within it.

- 5.28. The Acting Chief Executive, Executive Directors and Statutory Officers meet weekly as the Corporate Leadership Team (CLT), receiving assurance reports and updates from across the Council. CLT is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the Governance Framework diagram in Appendix 1.
- 5.29. The Council’s Constitution defines the standards of conduct and personal behaviour expected of, and between, members, staff, associated partners and the community, defined and communicated through Codes of Conduct and protocols. The Constitution includes a

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Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.

5.30. In [March 2018](#) the Constitution Committee received and approved “A Member-led Council: Developing Effective Member and Officer Relations” as a supplement to the Member/Officer Protocol. The Corporate Overview and Scrutiny Committee, which considered the document in [April 2018](#) and supported the approach set out in the document, and endorsed its importance as a supplement to the Council’s Member/Officer Protocol.

5.31. In summary, the document;

- Makes clear the democratic mandate which Elected Members have and their responsibility for setting the policy framework, upon which the officers provide professional advice and expertise in order to deliver it.
- Clarifies the role of officers as employees who put policies into effect and who deliver the Council’s services, utilising powers and performing responsibilities delegated to them by Members.
- Underlines the importance of officers acting with political impartiality, serving the whole Council rather than particular groups or Member providing unbiased professional advice to Members.

5.32. The statutory roles of the Head of Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are their responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.

5.33. The Council publishes a [Pay Policy Statement](#) by 31st March on an annual basis. This provides transparency with regard to the Council’s approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2017/18 was agreed by Council on [23rd February 2017](#).

5.34. The [2018/19 Pay Policy Statement](#) recommended to Council on 22nd February 2018 from Staffing Committee, included a number of changes from the 2017/18 Statement. These included updates on the development of a new national NJC pay structure and outlined the Mutually Agreed Resignation Scheme, agreed at Cabinet in February 2018.

5.35. In October 2017 the Council launched a programme of work, designed to improve staff wellbeing and resilience. “Wellbeing in Work” as reported to the [October 2017](#) Staffing Committee, is a framework based on five interconnected areas, which together support and strengthen employee wellbeing; Physical and Mental

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Health, Family and Finances, Personal Growth, Work and Environment and Culture and Climate.

- 5.36. To further develop and shape the programme, a staff forum and contributor's group were established, bringing together staff and managers from across the Council. Progress on the Wellbeing in Work programme was reported to the Staffing Committee in [April 2018](#). The programme will be shaped as necessary to support the wider actions of the Cultural Review.
- 5.37. At the invitation of the Leader and Acting Chief Executive, the Local Government Association (LGA) undertook an independent review into the organisational culture of the council, with particular focus on bullying and harassment. A full report on the review was received in January 2018 and is available on the Council's [website](#).
- 5.38. Following the receipt of the LGA report a Cultural Review transformation programme has been implemented. This includes the use of an external change management company to support the delivery of the "Brighter Future Together (Culture) Programme". A report to Staffing Committee on [21st March 2018](#) provided further details of the Programme, including the proposed governance arrangements, which will see the Staffing Committee providing scrutiny of the Programme and receive progress reports.

Managing risks and performance through robust internal control and strong public financial management

- 5.39. [Audit and Governance Committee](#) have received regular risk management update reports during 2017/18. The Committee received a focused briefing on Brexit and the opportunities this presents to the Council in June 2017.
- 5.40. As part of the development of the Council's business planning process, risk registers have been included in the department and team plans. These are reviewed by the team plan owners, and risks are considered for escalation to the Corporate Risk Register as necessary.
- 5.41. In October 2017 the Council received the [Overview and Scrutiny annual report for 2016/17](#). This summarised the activity of the four scrutiny committees during the municipal year. The annual report for 2017/18 is scheduled to be taken to Council later in 2018. All committees scrutinised areas of budget within their remits.
- 5.42. During 2017/18 the [Children and Families Overview and Scrutiny Committee](#) scrutinised issues including Child Sexual Exploitation, Transport Policies, and Annual Reports for Education, the Local Safeguarding Children's Board and the Local Authority Designated Officer. The Committee also undertook a Task and Finish review of Special Educational Needs Disability (SEND).

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- 5.43. The [Health and Adults Social Care and Communities Overview and Scrutiny Committee](#) scrutinised issues including Delayed Transfer of Care, the Integrated Carers Hub, the Health and Social Care Performance Scorecard, and the Annual Local Safeguarding Adults Board. The Committee also conducted a spotlight review on Mental Health Service provision across Cheshire East, amongst other items on the work programme.
- 5.44. The [Environment and Regeneration Overview and Scrutiny Committee](#) received presentations and reports on Flood Risk Management, Homelessness, the Supported Local Bus Service Review and Food Waste Recycling and Compositing Plant. The Committee also received performance updates from ANSA and Orbitas, the Highways Service Contract, and Civicance Ltd.
- 5.45. The [Corporate Overview and Scrutiny Committee](#) received updates and presentations on a variety of issues, including Digital Customer Services, the Best 4 Business Oracle replacement, Crewe Fire Station Second Pump, New Homes Bonus, as well as scrutiny of the quarterly performance reports.
- 5.46. A project was started in 2016/17 to identify the changes required to ensure compliance with the requirements of the General Data Protection Regulation, which replaced the Data Protection Act on 25th May 2018. A presentation was given to the Audit and Governance Committee in [March 2018](#) to provide assurance on the readiness of the Council to meet the requirements.
- 5.47. The Information Governance Group met regularly throughout 2017/18, managing a programme of proactive improvement and responding to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), Corporate Assurance Group, and the Corporate Leadership Team. An update report on Information Governance was provided to the Audit and Governance Committee at its [May 2018](#) meeting.
- 5.48. Project activity is monitored through the Executive Monitoring Board and incorporated within the Constitution under Finance Procedure Rules. The Council's Finance Procedure Rules will always apply should changes in spending requirements be identified.
- 5.49. Following a 'maturity assessment' of Procurement and Commissioning, carried out by external consultants (Ameo) which concluded in September 2017, both a Commissioning and Procurement Delivery Group and a Commissioning and Procurement Delivery Board have been established.
- 5.50. There is a Project Board which supports the Group, chaired by the Corporate Manager Finance and

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Performance and the Board is chaired by the Interim Executive Director of Corporate Services.

- 5.51. The Group meets on a monthly basis and has done since the turn of the year, with the Board meeting a couple of weeks after the Group. Whilst initially looking at the Commissioning Cycle & Contracts/Procurement, the scope of the Programme has grown to encompass the Business Planning Process and the PMO Project Gateway process.
- 5.52. Changes to the Council's Contract Procedure Rules were considered by the Constitution Committee in March 2018. The changes considered were of an operational nature, designed to further improve efficiency and governance.
- 5.53. The [Audit and Governance Committee](#) plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 5.54. During 2017/18 the Audit and Governance Committee received or approved a broad range of reports and assurances, including;

- Approval of the Internal Audit Plan and subsequent progress reports, the Committee's Annual report and the External Audit Plan and progress reports
- Updates on Risk Management and Treasury Management
- Annual reports on Customer Feedback (Complaints, Compliments and the Local Government Ombudsman), Compliance with the Regulation of Investigatory Powers Act (RIPA), Compliance with Data Protection Act (1998), Freedom of Information Act (2000) and Environment Information Regulations (2004)
- Overseeing governance arrangements and reviewing all approved WARNs. The WARN process forms part of the Contract Procedure Rules (CPR's) which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability. Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered in part two of the meeting.

- 5.55. The Audit and Governance Committee's draft self-assessment against the CIPFA guidance was considered

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at the [May 2018](#) meeting and approved subject to one amendment.

- 5.56. The 2016/17 Annual Report of the Audit and Governance Committee was received by Council on [19th October 2017](#). The Annual Report for 2017/18 will be presented to the July 2018 Audit and Governance Committee and then taken to Council.
- 5.57. The 2016/17 Annual Governance Statement was approved at the [September 2017](#) meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The Statement was signed by the Leader of the Council and the Acting Chief Executive and published on the Council's website.
- 5.58. An update on progress made in managing issues raised in the 2016/17 Statement was taken to the Audit and Governance Committee meeting in [December 2017](#). The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements. Progress made in managing issues noted as "requiring further attention" in previous Statements, is covered later in the Statement.

Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.59. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2017/18, received by the Audit and Governance Committee on [June 1st 2017](#) and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2017/18

- 5.60. The Internal Audit Annual Report for 2017/18 has been prepared by the Council's Principal Auditors who currently have management responsibility for Internal Audit and cover the role of the Head of Internal Audit. Support and sign off has been provided by the Interim Director of Corporate Services who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.
- 5.61. Updated Public Sector Internal Audit Standards (PSIAS) have been implemented from 1st April 2017. A requirement of the PSIAS is for an external assessment against the Standards to be undertaken at least once every five years. All local authorities should have had their first external assessment by 31st March 2018.

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- 5.62. As reported to the Audit and Governance Committee in [September 2017](#), the Council's internal audit function participated in a peer review process led by the North West Chief Audit Executive's Group. The external assessment was undertaken at the end of January 2018 and a draft report has been received. The draft has been reviewed and returned for the external moderation process. The Audit and Governance Committee will receive the results of the external assessment at a future committee.
- 5.63. The Council has a number of wholly owned companies, which operate under the holding company of Cheshire East Residents First Limited (CERF Ltd). The following have been in operation during 2017/18;
- Orbitas
 - Ansa
 - Transport Service Solutions Ltd. (TSS Ltd)
 - Civicance
 - Engine of the North (EoTN)
 - Tatton Enterprises Limited
 - The Skills and Growth Company (SAGC)
- 5.64. Reports on the performance and progress of the ASDVs have been scrutinised during the year by the Council's Overview and Scrutiny Committees.
- 5.65. Everybody Sports and Leisure (ESAR) is a charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. ESAR deliver services for the Council as set out in the operating contract, which is monitored through client commissioning arrangements, including contract management meetings and monitoring visits. The annual performance report for ESAR 2016/17 was reported to Cabinet in [October 2017](#).
- 5.66. The operational overview of services has been delivered by the CERF Ltd group of companies through client commissioning arrangements, based upon operating agreements/contracts between the Council and the individual company. During 2017/18 governance mechanisms have broadly operated as expected and include regular meetings with the commissioners, performance reporting and financial challenge meetings. Each company produces a year end set of accounts which are independently audited.
- 5.67. A review of the Council's ASDVs was completed in November 2017 to assess the effectiveness and appropriateness of the existing governance arrangements for the wholly owned companies and to clarify the expectations of CERF as a company in its own right.

- 5.68. The review was reported to Cabinet in [March 2018](#), “Edge Public Solutions Limited (Edge), identified that improvements could be made to how the Council commissioned services from its ASDVs and how the ASDVs were governed. Cabinet endorsed the findings of the report, and approved the creation of a Cabinet Committee, to be called the “Shareholder Committee”.
- 5.69. This Committee will give advice and direction to the Cabinet member(s) with legal responsibility for making ASDV shareholder decisions. The Shareholder Committee will design, implement and oversee the ASDV change programme.
- 5.70. The [Shared Services Joint Committee](#) oversees the management of the services provided pan-Cheshire on behalf of Cheshire East and Cheshire West and Chester Councils, to ensure effective deliver of services and strategic direction. Regular reports on performance and progress have been received during the year by the Committee from ICT Services, the Transactional Service Centre, and progress in replacing the Finance and HR System and the Archives project.
- 5.71. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council.
- 5.72. In March 2018, Ofsted and the Care Quality Commission carried out an inspection that looked at how well education, care and health services work together to identify, assess and meet the needs of children and young people with special educational needs and/or a disability. As a result of the inspection, the local area is required to produce and submit a Written Statement of Action to Ofsted that explains how we will tackle two areas identified for improvement.
- 5.73. The final Written Statement of Action will be signed off by the Health and Wellbeing Board on 24 July 2018 before being submitted to Ofsted by 15th August 2018. The final Written Statement of Action will be available on the Council’s [website](#) following approval by Ofsted
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law***
- 5.74. The [Audit and Governance Committee](#) promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. Complaints are considered by the Monitoring Officer and an Independent Person. Complaints can be received about Cheshire East Councillors, co-opted members and Town and Parish Councillors.

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- 5.75. The promotion of high standards of conduct, and of strong ethical governance among elected members, co-opted Members, and Town and Parish Council Members within the Borough, is critical to the corporate governance of the authority and to the Council's decision making process across the organisation.
- 5.76. During 2017/18 the [Audit and Governance Committee](#) received two update reports from the Monitoring Officer, advising on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed.
- 5.77. In light of the continuing police investigation, "Operation Stones" into the awarding of contracts to Core Fit (recognised as a governance issue in the 2015/16 AGS), the suspension of the Chief Executive, the Chief Operating Officer and the Director of Legal Services, the Council has interim senior management arrangements in place.
- 5.78. These include the appointment of the Executive Director for People and Deputy Chief Executive as Acting Chief Executive and the appointment of an interim Executive Director for Corporate Services (Section 151 Officer).
- 5.79. In June 2018 Cheshire Police confirmed that the investigation into the historical awarding of a contract by Cheshire East Council has concluded and a file has been submitted to the Crown Prosecution Service.
- 5.80. Section 151 responsibilities were covered by the Chief Operating Officer and thereafter the Interim Executive Director for Corporate Services. The governance arrangements for the Council's Chief Operating Officer complied with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.81. The Director of Legal Services and Monitoring Officer is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Following the suspension of the Director of Legal Services and Monitoring Officer in July 2017, interim arrangements were implemented, and an acting Director of Legal Services appointed. This arrangement has continued following the resignation of the Director of Legal Services in December 2017.
- 5.82. The Council's [Investigation and Disciplinary Committee](#) met regularly during the year to consider concerns about officer conduct raised in early 2017. The Council's external auditors confirmed that the external audit certificate for 2016/17 will be held open until the completion of these investigations.

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- 5.83. In [April 2018](#), the Chair of the Council's Investigation and Disciplinary Committee was asked to stand down from his committee duties because of concerns about actions taken whilst serving on the authority's Investigation and Disciplinary Committee.
- 5.84. This is a neutral act, intended to protect the Councillor and the Council from concerns of a similar nature arising whilst the matter is considered further. The vice-chairman of the IDC will act as IDC chairman on an interim basis while these matters are resolved.
- 5.85. In July 2018 it was confirmed that the Council's Chief Executive had resigned with immediate effect. Acting up arrangements as described earlier in the Statement continue.
- 5.86. As reported to Audit and Governance Committee in [September 2017](#), the Council's whistleblowing arrangements have been independently reviewed by Public Concern at Work. The report, alongside information on the number of reports received in 2016/17, also provided details of additional support to staff in relation to Whistleblowing concerns; this includes access to an independent advice line by phone and email, providing safe and confidential advice to staff, should they ever find themselves in a dilemma about what to do if they witness wrongdoing in the workplace.
- 5.87. The outcome of the review was reported back to the Committee in [March 2018](#). In recognition of the comments and feedback from Public Concern at Work on the length of the existing policy, the potential for mixed messages and the benefits of a uniform definition of whistleblowing, a revised Whistleblowing Policy, based on the model policy provided by Public Concern at Work, was approved by the Committee.
- 5.88. The updated Whistleblowing Policy and details of the further advice and support available can be found on the Council's [website](#).
- Ensuring openness and comprehensive stakeholder engagement***
- 5.89. The Council has stated its commitment to being open, honest and accountable regarding all decisions, actions and outcomes. The 'Transparency Project' has continued to make significant progress to achieve this aim and the Council has achieved compliance with all mandatory requirements of the [Local Government Transparency Code 2015](#) and is now [publishing information](#) over and above mandatory requirements.
- 5.90. The Council's [open data portal](#) continues to facilitate the process of uploading data and make it available in meaningful, easily accessible and re-usable formats for the public.

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- 5.91. In [March 2017](#) the Constitution Committee resolved that for the 2017/18 municipal year, an enhanced audio recording system would be introduced for all of the Council’s formal decision making bodies and the webcasting of Cabinet meetings was discontinued. A review of the arrangements was considered by the Constitution Committee in June 2018. Recordings can be found on the relevant Committee pages.
- 5.92. The Council publishes delegated officer decisions on its [website](#), demonstrating how the provisions of the Constitution have been exercised.
- 5.93. Engaging with our communities is essential to ensure that we are a resident led Council. [Consultation exercises](#) are carried out as appropriate, including statutory consultation processes for areas such as [Planning](#) and [Licensing](#). Information is available on the Council’s website in relation to [current consultations](#) and the feedback received on [previous consultations](#) and the subsequent decisions made are also available.
- 5.94. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. Information is cascaded from the Corporate Leadership Team meeting through Department Management Team meetings to Team/Unit meetings as necessary.
- 5.95. Staff can provide feedback through line management supervision, team meetings, and an online “Staff Suggestion Box”. Members of staff are encouraged to participate in the “Making a Difference” recognition scheme, nominating colleagues for an instant recognition “Made my day” message, or for nomination in the monthly and annual awards. The recognition panel itself includes volunteers from across the organisation.
- 5.96. The Council’s Corporate Leadership Team has held a number of staff engagement events; “A Conversation With...” These have been held across the Council’s office locations and offer an opportunity for staff to raise any questions or issues they have directly with their Senior Managers. Questions and answers are summarised and shared via the Team Voice newsletter. Further events are scheduled.
- 5.97. Council services use various forms of [social media](#), to engage and inform communities and stakeholders. The main Council website has a [Media Hub](#) page, where a variety of information about the Council is published. The Communications team also provide related media releases, where appropriate. [Statutory public notices](#) are also shared online.
- 5.98. During 2017/18 the Council launched a new magazine for residents – The VoiCE. This was provided to households

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and is available [online](#). The magazine provides articles about services provided by the Council and information about what is happening around the borough.

6. Review of Effectiveness

6.1. The Council undertakes an annual review of its governance arrangements co-ordinated by the Corporate Assurance Group. This process is informed by a range of sources. The various sources of assurance which inform the annual review are described below and also referenced in the Governance Framework in Appendix 1.

6.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:

- **Line Management** - Assurance on individual line managers' areas of responsibility are provided by Disclosure Statements, Partnership Governance Reviews and informed by the acceptance and implementation of recommendations from internal and external audit.
- **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive improvement, and how relevant risk management information is escalated up or cascaded down through the Council.

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

6.3. Section 7 sets out the progress made against the issues identified in previous Annual Governance Statements, which have been monitored through 2017/18.

6.4. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon to the Audit and Governance Committee, through previous Annual Governance Statements, and most recently in an update provided in [December 2017](#). The Committee agreed that the issues of Project Management and Air Quality Data would be removed from the AGS and progress monitored under local arrangements.

6.5. Although they have been identified in previous Statements, the issues of "Council Funding" and "Health and Social Care Integration" have been included again as continuing areas of concern issues for 2017/18 in the

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updates in Section 7. This is to recognise the continuing significance of these two specific areas, at national and local levels.

- 6.6. The review has considered the effectiveness of the Council's governance arrangements against the principles set out in the revised Code of Corporate Governance. The assessment has identified governance issues as outlined in Section 8.

7. Progress against issues identified in previous Annual Governance Statements

<p>Business Continuity Planning <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p>	
<p>Description of Issue</p>	<p>Current and tested business continuity plans are not consistently in place across all service areas.</p>
<p>Responsibility</p>	<p>Director of Legal Services</p>
<p>Action proposed at the time of inclusion in the AGS</p>	<p>Develop Business Continuity Planning to ensure service delivery in the event of business disruption</p>
<p>Progress Update for AGS 2017/18</p>	<p>The Business Continuity Institute (BCI) has recently updated its Good Practice Guidelines (GPG) to the 2018 Edition (previously 2013). The GPG is recognised as industry best practice for professionals, by professionals in organisations all over the world. It is important to note that developing the Council’s business continuity programme is an ongoing process, which adapts in response to the changing nature of the Council’s internal and external operating environment.</p> <p>In light of the updated GPGs, the Council is treating the implementation of this programme as if approaching it for the first time. This will mean undertaking all activities detailed in the business continuity management lifecycle. We are currently in the first stage of the lifecycle; the Audit and Governance Committee recently approved the Business Continuity Policy Statement and Strategy for ratification by Cabinet on 10 July 2018. The Policy provides strategic direction from which the business continuity programme will be delivered and defines the way in which the Council will approach business continuity.</p> <p>An important part of the business continuity lifecycle is about understanding and influencing organisational culture to ensure successful embedding of business continuity. As part of this we undertook an awareness raising campaign by undertaking a Cyber Attack Awareness Exercise with colleagues from across various areas of the Council. The exercise was discussion based using a relevant scenario of the Council’s ICT systems and network being attacked and switched off. The awareness exercise was set in a table-top environment and</p>

	<p>included various time-jumps to allow different phases of the scenario to be exercised and discussed. The session helped to ensure that:-</p> <ul style="list-style-type: none"> • colleagues from across the Council are engaged in business continuity, • awareness of previous and possible future impacts were raised, • existing measures and future measures to manage an incident were considered • best practice and ideas and resources for Business Continuity planning were shared • further development of resilient Business Continuity Plans could be considered • areas of support and potential service requirements both corporately and by the IT Shared Service were highlighted <p>The next step is to refine the scope of the business continuity programme before proceeding with the Analysis, Design, Implementation and Validation stages of the business continuity management lifecycle. This will ensure that the business continuity programme and associated activities focus on the Council's priorities and ensure the programme makes best use of available resources. The main technique used for the analysis of the Council for business continuity purposes is the business impact analysis (BIA); this provides information to determine the most appropriate business continuity solutions and an initial BIA can be used to clarify the scope of the business continuity programme.</p> <p>Further reports are scheduled on Business Continuity as part of the Risk Management updates to the Audit and Governance Committee.</p>
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<p>Local Economic Partnerships <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p>	
Description of Issue	Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date
Responsibility	Executive Director of Place
Action proposed	Governance arrangements need to be developed that are sufficiently “future proofed” to accommodate further

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at the time of inclusion in the AGS	anticipated changes to the role of the LEP and its sub groups and the Council’s relationship with it.
Progress Update for AGS 2017/18	<p>Actions for Cheshire and Warrington LEP included making certain Sub Committee meetings open to the public and establishing an Overview & Scrutiny Committee. An Overview and Scrutiny Committee has now been established and met for the first time on Thursday 1st March. This meeting was used to set out terms of reference and select a Chair. Cheshire East is represented by Cllr Harold Davenport.</p> <p>As part of the Finance and Accountable Body services provided to the LEP by the Council, we assist in preparation of the financial information for inclusion in the final version of their Annual Report. This includes information not only in respect of the LEP Company’s operating accounts, but also financial summaries relating to the Local Growth Fund, Growing Places Fund, and other reserves and balances in order to present a more comprehensive picture of the LEP’s financial affairs.</p> <p>As part of our Accountable Body role, Cheshire East’s Internal Audit Team assisted with the review of the LEP’s Local Assurance Framework and prepared a report with an opinion (Satisfactory) and recommendations for improvements. This report was used to support the “Annual Conversation” (meeting of LEP with Government officials) which took place in December 2017.</p> <p>Also included in the evidence pack submitted to Government in advance of the “Annual Conversation” was the required statement from the Council’s Section 151 Officer, that there is satisfaction with the LEP’s governance and transparency arrangements and that there are no issues of concern. The statement also commented that going forward, as part of strengthening arrangements in this regard, the Council’s Section 151 Officer and the LEP Chief Executive will meet quarterly, to help ensure we are sighted on developments/ proposals before key decisions are made (including receiving Strategy Committee papers).</p> <p>This has been followed by a Performance Review undertaken by the Department for Business, Energy and Industrial Strategy and the Ministry for Housing, Communities and Local Government. The Annual Conversation was generally very positive, reporting that governance and systems and processes are improved. There are</p>

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	<p>however some challenges around delivery and capacity.</p> <p>The Mary Ney Review has made further recommendations for improving the governance and transparency of LEP's and this has resulted in further revisions to the National Assurance Framework for LEP's to adopt.</p> <p>Following the Ney Review, CIPFA and MHCLG are developing fresh guidance on the role of the Section 151 Officer of the Accountable Body for LEPs.</p> <p>The CIPFA guidance was out for consultation until the end of May 2018 and the subsequent guidance from CIPFA will be helpful in providing further clarity on any actions required by the Council or the LEP to ensure effective financial management.</p> <p>Internal Audit is developing a plan of future work in discussion with the LEP. This will ensure statutory requirements are undertaken, as well as embedding a programme of risk based audit work to provide assurance to the LEP Board and to the Council in its role as accountable body.</p>
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<p>New Service Delivery Models <i>Emerging issue identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure it did not become significant governance issues</i></p>	
Description of Issue	<p>The Council launched four service delivery vehicles in April and May 2014. Service areas transferred to these new companies were initially completed on a 'lift' and 'shift' basis to maintain existing arrangements. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.</p> <p>Two additional vehicles were launched in early 2015: Transport Service Solutions Ltd (1st January 2015) and Civicance (1st April 2015)</p>
Responsibility	Interim Executive Director of Corporate Services and Executive Director of Place
Action proposed at the time of inclusion in the	Senior Officers to continue to work with the directors of the new companies and the Leisure Trust to clarify roles and responsibilities and to ensure that the requirements of the new commissioning plans and new contracts – and the benefit to residents – are fully achieved.

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AGS	
Progress Update for AGS 2017/18	<p>The findings of a review to assess the effectiveness and appropriateness of the existing governance arrangements for the ASDVs and CERF were reported upon to Cabinet in March 2018.</p> <p>The report found that improvements could be made to how the Council commissioned services from its ASDVs and how the ASDVs were governed. Cabinet endorsed the findings of the report, and approved the creation of a Cabinet Committee, the “Shareholder Committee”.</p> <p>This Committee will give advice and direction to the Cabinet member(s) with legal responsibility for making ASDV shareholder decisions. The Shareholder Committee will design, implement and oversee the ASDV change programme. The ASDV Shareholder Committee will meet on 6th August 2018.</p>

Review of Contract Awards re Core Fit <i>Recognised as a governance issue in 2015/16</i>	
Description of Issue	<p>Following concerns raised about the awarding of contracts by the Council, the Council’s Internal Audit team were asked by the Acting Chief Executive to consider the issues raised as part of an ongoing audit of the Council’s procurement arrangements. This work was underway in the third quarter of 2015/16. However, in late December 2015, following the launch of a police investigation by Cheshire Constabulary regarding alleged misconduct in public office, the internal audit work was suspended, pending the outcome of the police investigations which is ongoing at this time. The internal audit work will continue once the police investigation concludes.</p>
Responsibility	Interim Executive Director of Corporate Services
Action proposed at the time of inclusion in the AGS	<p>A number of improvements increasing the transparency of the Council’s procurement arrangements have already been made. For example;</p> <ul style="list-style-type: none"> • Waivers and Records of Non Adherence (WARN) forms are reported individually and in full to the Audit and Governance Committee. • The Audit and Governance Committee receive reports on the quantity and reasons for Waiver’s and Non Adherences (WARNs) approved. • The Council has both introduced and strengthened the operation of the Procurement Board, with membership

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	<p>of the Council’s Portfolio Holder for Corporate Policy and Legal Services.</p> <ul style="list-style-type: none"> • The Audit and Governance Committee Anti-fraud Member/Officer Sub Group carries out sample checking on procurement activity ahead of each meeting and reports back on any non-compliance issues; there have been none found to date. • The Council has developed its Contracts Register to allow an earlier assessment of those services/functions that need to be re-commissioned. • The Procurement Team have reduced the threshold to £5,000 for requisitions that have to be approved, in order to prevent procurement activity being undertaken without appropriate approvals. • A £5,000 expenditure report is run monthly and sent to CLT members to scrutinise. From this a sample of transactions are selected and managers asked to provide details of budgetary controls applied. • National reporting requirements include £500 spend report which is completed monthly. Contracts awarded over £5,000 to be reported quarterly. Invitation to tenders and quotes above £5,000 to be reported quarterly.
<p>Progress Update for AGS 2017/18</p>	<p>The Audit and Governance Committee received reports (thematic report and individual review) on WARNS throughout their meetings in 2017/18.</p> <p>Following a ‘maturity assessment’ of Procurement and Commissioning, carried out by external consultants (Ameo) which concluded in September 2017, a Commissioning & Procurement Delivery Group and Commissioning & Procurement Delivery Board were established. A Project Board supports the Group. The Group meets on a monthly basis, with the Board meeting a couple of weeks after Group.</p> <p>Whilst initially looking at the Commissioning Cycle & Contracts/Procurement, the scope of the Programme has grown to encompass the Business Planning Process and the PMO Project Gateway process.</p> <p>Procurement have developed a Pipeline Dashboard, utilising the Contracts Register for existing contracts due to come to an end for the next rolling 36 months as well as new contracts/procurements to be identified. This permits the Group to identify forthcoming contracts/procurements to be highlighted and scrutinised as appropriate, with observations/assurance to Board prior to Reports being scrutinised at CLT. The Contracts</p>

	<p>Register will be built into the Business World system to provide greater transparency over spending against contracts. It will also allow for workflows and reminders to be built into the system.</p> <p>There is a quarterly highlight reporting process for 'Platinum' Contracts i.e. contracts in excess of £1m per annum. This is one element of a Toolkit under development designed to equip Contract Managers with the requisite tools and techniques to robustly contract manage and where practicable realise savings within the Contract. This will in time be extended to Gold contracts and potentially Silver & Bronze contracts (subject to approval at Group/Board). We have now identified an officer from within Finance to own the Savings Tracker which will capture and monitor savings and benefits including non-cashable benefits.</p> <p>In June 2018, Internal Audit reported to Management on the findings of a review to provide assurance that arrangements in place to manage procurement activity are appropriate and effective. Internal Audit gave a "Satisfactory" opinion. The Audit and Governance Committee will receive details of the review at their meeting on July 31st.</p>
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Council Funding	
<i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	
Description of Issue	<p>Ongoing and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.</p>
Responsibility	Interim Executive Director of Corporate Services
Action proposed at the time of inclusion in the AGS	The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.

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	<p>Senior accountants are fully engaging with government and professional bodies (such as CIPFA, SCT, RSN and UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council’s commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council’s increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA’s Aligned Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council’s approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council’s control framework.</p>
<p>Progress Update for AGS 2017/18</p>	<p>The Council achieved a balanced outturn position for 2017/18.</p> <p>The pre budget consultation undertaken received the largest number of responses to date.</p> <p>The Local Government settlement received in December 2017 provided no surprises, and a balanced budget for 2018/19 was approved by Council on 22nd February 2018. Adjustments were made in relation to the Highways Budget following consultation responses. The adjustments were affordable within contingency levels and the reserves strategy.</p> <p>In year budget monitoring will continue, with improvements anticipated when the B4B project goes live. Based on the positive level of consultation and engagement last year, we will look to extend the consultation</p>

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	<p>period for the next pre-budget consultation to allow more analysis of the results.</p> <p>The Council will engage in consultation in relation to Fair Funding and Business Rates retention in line with National Government timescales.</p>
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Health and Social Care Integration	
<i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	
Description of Issue	<p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the two acute providers and one Community and mental Health provider in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with the initial aims of the work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>
Responsibility	Executive Director of People
Action proposed at the time of inclusion in the AGS	<p>The BCF Governance Group, overseen by Cheshire East’s Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East’s plans for BCF in 2016/17. The expected status is “approved with support”.</p> <p>At the time of submission, there were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> • Final agreement for expenditure plans • Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group • Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&E Delivery

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	<p>Boards).</p> <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key “medium” ranked recommendations;</p> <ul style="list-style-type: none"> • Failure to identify and effectively manage BCF risks • CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated. • Poor Information Governance <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>
<p>Progress Update for AGS 2017/18</p>	<p>There have been changes to both the Cheshire and Merseyside and the local South and Eastern Cheshire transformation programmes over the last six months.</p> <p>The Better Care Fund Governance Board in Cheshire East continues to provide oversight for the 16 schemes</p>

which provide the underpinning strategic approach towards health and social care integration. This takes place on a monthly basis through the BCF Governance Board via the highlight report, which covers: progress to date, an update on key areas of work, issues and risks. It is used to advise the Better Care Fund Governance board of any potential issues as they arise, so that timely action can be recommended.

Following the approval of the Cheshire East Better Care Fund plan, focus from both the Local Government Association and NHS England has shifted to performance reporting. Quarterly performance reporting for the BCF and iBCF continues. The shift to performance reporting is also demonstrated through the submission of a new weekly Winter Data and Intelligence Collection survey administered by the Local Government Association (LGA) and ADASS (Directors of Adult Social Services).

This weekly return is focused on the number of delayed days experienced in acute and non-acute settings and the causes of those delays. Further to this the collection aims to: highlight local challenges and achievements, ensure DToC data has been signed off, provide further understanding to support winter work and help to provide intelligence nationally. The collection commenced on 02/02/2018 and is due to end on 31/05/2018.

As part of the iBCF conditions, quarterly reporting has commenced to track the progress and contribution of the schemes that were specified as part of the planning process for iBCF in July 2017. The update reports have been submitted as required by NHS England. The report covers: key successes, challenges, how iBCF has been allocated against the three purposes of the fund expressed as a percentage, progress on the schemes in terms of a narrative update and in terms of the project life cycle and performance against self-identified performance metrics.

In order to meet and demonstrate a robust and clear outcomes framework for reporting, a monthly process for reporting across all 16 schemes has been initiated, together with an integrated approach to data management across all three Better Care Fund partners in Cheshire East. Data leads from each organisation support the production of a performance dashboard which is produced on a monthly basis. This, along with the highlight report is supplied to the BCF Governance board. The dashboard identifies the latest position in respect of a

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number of national metrics.

The Department of Health has been closely reviewing DToC performance nationally, in order to benchmark those areas that are not making sufficient progress against their agreed trajectories. DToC performance in Cheshire East remains good.

Highlights from the BCF schemes in 2017/18 include:

- The piloting of a care sourcing team, sourcing 995 packages of care.
- Implementation of Care Package 7 day's retention scheme utilised on 413 occasions.
- Rapid return home scheme operationalised
- Care Home Support scheme operationalised including clinical support
- Funding in place to support discharge models which included having a locality manager and practice manager in post as well as having social workers available on weekends covering both Leighton and Macclesfield hospitals.
- A pilot scheme to test referrals to reablement from the acute setting over weekends was established.
- The establishment of a Rapid Return Home (Overnight) Service
- Increased support for community Matrons case-managing High Risk patients.
- Commenced Fair cost of care pricing review and consultation for Accommodation with Care.
- Completed market engagement on carers services and people with complex needs
- Specification for Care at Home and Accommodation with care completed.
- Live Well CE established; the site generated 16,000 page views per week and 5,700 individual user sessions.
- Management of steady increase to telecare usage from 1,926 monthly users in January 2016 to 2,531 monthly users in December 2017.
- Confirmed Carers wellbeing budgets for 872 people.
- 318 disabled people enabled to live independently through Disabled Facilities Grants.

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	<ul style="list-style-type: none"> • Service specifications in place for Support at Home Service – (British Red Cross to provide practical and emotional support at home over 7 days). Following this services were established. • Community Support Reablement - the total number of hours provided is 2,140 hours per week across the North and South Teams • 3175 safeguarding concerns were raised. <p>The annual review report for 2017/18 was presented to the Health and Wellbeing Board on 24th May 2018 together with the Plan for the year ahead.</p>
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Berkeley Academy Car Park <i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i>	
Description of Issue	<p>In April 2016, an undertaking was given to The Berkeley Academy by the Council, to make a contribution of £70,000 in support of a scheme for “off highway parking”, provided the Academy provided at least 50% in match funding.</p> <p>This undertaking was given ahead of the conclusion of the work of a Task and Finish Group on Safer Parking for Communities from the Corporate Overview and Scrutiny Committee. The findings and recommendations of this Group were to inform policy development and a future programme of work.</p> <p>Therefore, the commitment made to the Academy was not progressed in accordance with any approved policy or budget, and was given prior to the conclusion of an existing review.</p>
Responsibility	Executive Director – Place
Action proposed at the time of inclusion in the AGS	Cabinet considered a report at its meeting on 22 nd August 2017, which sought authority for the award of grant funding for £70,000 to be given to the Berkeley Academy for the purposes of piloting a safer drop off facility at the school. The report also outlined an approach to the formation of a policy to enable similar proposals to be considered and address congestion at other primary schools.

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	<p>Cabinet authorised the Executive Director of Place to make the grant award in order to inform the development of Council policy in the area. In addition, Cabinet authorised the Executive Director of Place, in consultation with the Director of Legal Services and the Portfolio Holder for Corporate Policy and Legal Services to dispose of any requests received for reimbursement of additional expenses reasonably and properly incurred by the Academy which it is considered the Council may be liable to reimburse flowing from action taken in connection with the undertaking given.</p>
<p>Progress Update for AGS 2017/18</p>	<p>The funding agreement between the Council and the school has now been finalised. An Officer Decision Record will be prepared, and the funding agreement will be signed once appropriate due diligence has been completed.</p> <p>The Acting Chief Executive receives regular updates on the progress of items referred by the Council. The Police are still considering whether a criminal offence has been committed and a decision is awaited.</p>

<p>Sleep In Arrangements <i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i></p>	
<p>Description of Issue</p>	<p>The case law development in relation to sleep in arrangements is a complex national issue, which we are seeking to clarify and resolve. We were originally alerted to a potential breach of the national minimum wage regulations following a national employment appeals tribunal case towards the end of 2013.</p> <p>However, the case law and regulations were contradictory at that time. Legal advice was that we should continue to monitor case law developments but that there was no clear legal basis for action.</p> <p>It was not until April 2017, following the outcome of the national Mencap appeal that the employment appeals tribunal set out detailed tests to be applied on a ‘case by case’ basis, to determine compliance with the National Minimum Wage and Working Time Directive regulations. At this time the Local Government Association (LGA) advised councils to assess their current arrangements using the published employment appeals tribunal assessment rules.</p> <p>The Acting Chief Executive requested a review be undertaken in all affected services. To this end a pay</p>

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	<p>specialist was employed to support this work, which has involved checking payments made to every worker in receipt of sleep-in arrangements over the past two years. This work is expected to be completed in September.</p> <p>We are in continuing dialogue with both the LGA and North West Employers to progress matters.</p>
Responsibility	Acting Executive Director People; Interim Executive Director of Corporate Services and Head of Strategic HR
Action proposed at the time of inclusion in the AGS	<p>That review is now well advanced and its findings and recommendations are due to be reported soon.</p> <p>The review has so far covered:</p> <ul style="list-style-type: none"> • A number of services that undertake sleep in arrangements have been identified and each is being assessed in line with Employment Appeal Tribunal guidelines. • External specialist support appointed to assist this process and report findings separately. • On-going dialogue with the Trade Unions is taking place to resolve staff grievances. <p>Compliance with the NMW investigation underway.</p>
Progress Update for AGS 2017/18	<p>The Internal Audit review of sleep in payments and the national minimum wage is now complete and a Final Report has been issued to management.</p> <p>In October 2017 back pay of £167,863 was made to 108 current and former employees in respect of underpaid sleep-in payments for the period 1st September 2015 to 31st August 2017. The payments were made on a calculation following advice from independent legal counsel, using a methodology agreed in advance with the relevant unions.</p> <p>The external auditors have considered a formal objection to the Council's accounts. Following their consideration of the matter, they have decided not to uphold the objection, but have made a number of recommendations which the Council has agreed to, including;</p> <ul style="list-style-type: none"> • Implementing the improvements arising from the Internal Review into the matter • Formally concluding on whether further back payments are required following the outcome of the Mencap

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	<p>appeal, and to ensure that current and forward arrangements comply with the Governments National Social Care Compliance scheme.</p> <ul style="list-style-type: none"> Officers continue with increased levels of disclosure regarding potential areas of non-compliance with law and regulation in future communications with the external auditor. <p>The recent Court of Appeal ruling determined that care workers are not entitled to be paid minimum wage while on sleep in and providers had no liability for back pay. This indicates that a liability for paying back pay of up to 6 years may no longer exist but due to the possibility that this case may now proceed to the Supreme Court it has been noted. A report is being prepared for the Corporate Leadership Team on the impact of the decision upon the Council. This will be used to identify any further actions necessary. The issue will continue to be monitored for further developments.</p>
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Designated Statutory Officers/Investigation and Disciplinary Committee <i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i>	
Description of Issue	<p>During Q4 concerns relating to officer conduct were received by the Deputy Monitoring Officer. In accordance with the processes put in place by Council in February 2017 to deal with such matters those concerns were then considered by the Council’s Investigation and Disciplinary Committee (IDC).</p> <p>Those processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review.</p>
Responsibility	Acting Chief Executive
Proposed Action	<p>The Investigation and Disciplinary Committee (IDC) processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive, and subsequently the Director of Legal Services and Monitoring Officer, whilst an investigation is undertaken.</p> <p>The decision to suspend is a neutral act and will be kept under review. The Council will continue to act appropriately to deal with any matters arising from those processes to ensure continuity of service provision and</p>

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	organisational governance.
Progress Update for AGS 2017/18	<p>The IDC processes are ongoing and have continued since the previous update to the Committee.</p> <p>The Chief Operating Officer was suspended in December 2017.</p> <p>The Director of Legal Services and Monitoring Officer resigned with immediate effect in December 2017.</p> <p>In April 2018, the Chair of the IDC was asked to stand down from his committee duties because of concerns about actions he took whilst serving on the authority's IDC. The vice-chairman of the IDC will act as IDC chairman on an interim basis whilst those concerns are investigated.</p> <p>The Chief Executive resigned with immediate effect in July 2018. The existing acting up arrangements continue.</p>

Land Purchases	
<i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i>	
Description of Issue	Early in 2017/18, the Acting Chief Executive and the Executive Director of Place and Acting Deputy Chief Executive requested that Internal Audit undertook a review of the Council's arrangements for asset disposals and purchases. This was started in July 2017, and concerns have been identified over a number of acquisitions.
Responsibility	Internal Audit, reporting to the Acting Chief Executive
Proposed Action	<p>Internal Audit work in this area is ongoing, and findings to date have been referred to TITAN for consideration and further investigation.</p> <p>The Council's external auditors have confirmed that their value for money conclusion for 2016/17 was qualified due to the findings identified and reported by Internal Audit.</p>
Progress Update for AGS 2017/18	<p>Internal Audit reviews of individual transactions have been undertaken and reports issued to management. Where appropriate, referrals have been made to the police. The Police are considering whether a criminal offence has been committed and a decision is awaited.</p> <p>To ensure that control weaknesses identified as part of this work are addressed, a consolidated findings report</p>

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	<p>has been prepared by Internal Audit.</p> <p>A review of the current control environment in relation to asset disposals and purchases is scheduled in the 2018/19 Internal Audit Plan.</p>
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8. Significant Governance Issues 2017/18

8.1. The significant governance issues the Council recognises as arising during 2017/18 are detailed below. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need implementing and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Assurance Group during 2018/19, and reported on to Corporate Leadership Team and Audit and Governance Committee.

Description	Actions	Responsibility
<p><i>Holiday Pay</i></p> <p>During the course of investigating and managing the Council’s responsibilities in relation to sleep in payments, and developing case law on changes to holiday pay calculations, the Council has also identified that there could be a challenge over holiday pay.</p> <p>HR colleagues have undertaken work to understand the scale of this issue, and ensured the risks are being managed effectively, with regular reports being taken to the Corporate Leadership Team and briefings to the Portfolio Holder.</p> <p>The following actions have so far been undertaken :-</p> <ul style="list-style-type: none"> On going reports to CLT and ELT to discuss the legal and financial implications, as well as timescales and options available for completing this exercise. 	<p>In addition to the actions already undertaken, work will continue to be undertaken to establish the potential impact of this changing case law on all Council services where staff earnings fluctuate which could affect future holiday pay liabilities both going forward and retrospectively to meet employment law compliance</p>	<p>Head of Strategic HR</p>

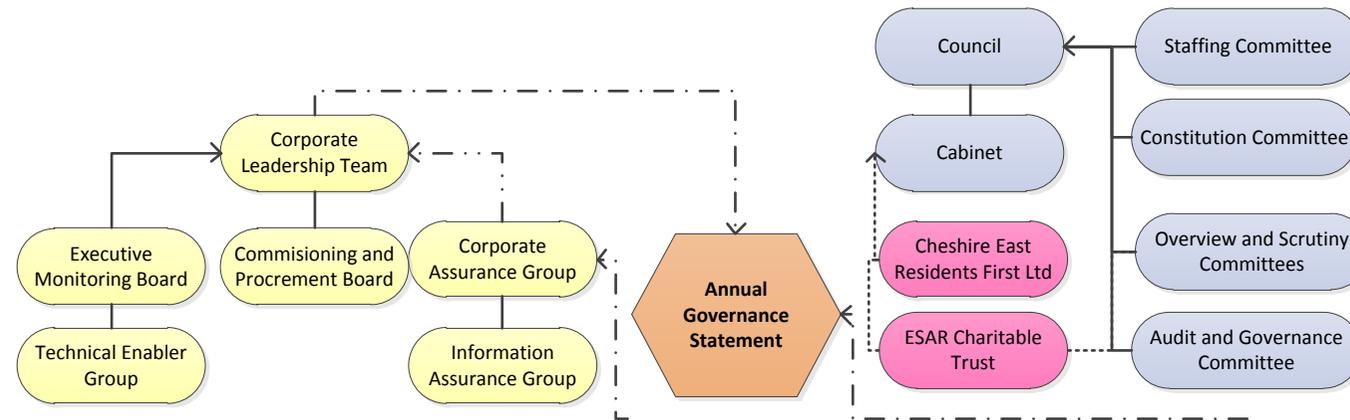
Description	Actions	Responsibility
<ul style="list-style-type: none"> • Discussions with the Trade Unions on this matter continue. • External and internal legal advice taken on this matter. • The risk has been included in the HR Risk register but until the matter is quantified across all Council service areas the risk cannot be identified and assessed before putting on the corporate risk register. 		
<p><i>Chief Inspector of Weights and Measures</i></p> <p>In January 2018, the Council reassured residents that there had been no adverse impacts on any weights and measures activity, following confirmation that for a period between 2014 to 2016, the officer appointed to the role of Chief Inspector Weights and Measures, whilst having management responsibility for the qualified inspectors, did not hold the appropriate professional qualification to undertake statutory role of Chief Inspector of Weights and Measures.</p> <p>Actions undertaken by duly qualified officers during this period remain valid and have full legal effect. A piece of work is being commissioned to verify that the Chief Inspector in place between 2014 and 2016 did not engage directly in work requiring a statutory qualification.</p>	<p>The Council has recognised the legal requirement for its Chief Inspector Weights and Measures to hold the appropriate professional qualification and has appointed a suitably qualified person.</p> <p>Processes are in place to check that current staff and new applicants for statutory roles hold the required qualifications.</p> <p>A piece of work was commissioned to verify that the Chief Inspector in place between 2014 and 2016 did not engage directly in work requiring a statutory qualification. This work has now been completed, and has confirmed that the post holder did not engage directly in any work</p>	<p>Executive Director Place and Acting Deputy Chief Executive</p>

Description	Actions	Responsibility
	requiring a statutory qualification.	
<p><i>Bullying and Culture Review</i></p> <p>In response to concerns around a perception of significant issues of bullying and harassment in the Council, the Leader and Acting Chief Executive invited the Local Government Association to carry out a review into organisational culture. The review was independently commissioned in October 2017 and undertaken in November and December 2017.</p> <p>The findings and recommendations from the review were delivered in January 2018. The full report is available on the Council’s website.</p>	<p>The LGA review made a series of recommendations which the Council has committed to addressing.</p> <p>This is being done through the implementation of a Cultural Review programme. This includes the use of an external change management company to support the delivery of the “Brighter Future Together (Culture) Programme”.</p> <p>A report to Staffing Committee on 21st March 2018 provided further details of the Programme, including the proposed governance arrangements, which will see the Staffing Committee providing scrutiny of the Programme and receive progress reports.</p> <p>A further progress will be made to the Staffing Committee on 23rd July 2018. This includes the change of name to “Brighter Future Together (Culture) Programme, reflecting that the programme is a key part of the Council’s Whole Organisation Transformation Programme.</p>	<p>Acting Chief Executive</p>

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Description	Actions	Responsibility
<p>Data Protection Breach</p> <p>Data protection incidents are taken extremely seriously by the Council. The Council’s information governance policies require suspected breaches to be reported and logged under the data breach management process.</p> <p>Reported incidents are considered by the Council’s Information Governance Group, who advise on managing the incident, and also consider the need to self report incidents to the Information Commissioner’s Office.</p> <p>In April 2018 the Information Governance Group considered an incident brought to its attention, and recommended that the Council should report the incident to the Information Commissioner’s Office.</p> <p>The incident has now been reported. Further details will not be provided whilst the ICO is considering the report and undertaking any further investigation required. The Council is co-operating fully with the ICO.</p> <p>Breaching the Data Protection Act contravenes the Council’s Code of Conduct for both Officers and Members. Further internal investigations are also underway to ensure any improvement actions are identified and undertaken, and that any disciplinary or Standards issues are also addressed.</p>	<p>The incident has been reported to the ICO and the Council is co-operating fully with the ICO.</p>	<p>Acting Chief Executive</p>

Appendix 1: The Governance Framework 2017/18



Sources of Assurance for the Annual Governance Statement

Performance Management	Internal Audit	External Audit	Senior Managers	Risk Management	External Assurance
Corporate Plan	Risk based plan, approved by Members	Annual Audit Plan	Management Assurance Statements	Risk Management Strategy	Ofsted
Annual Budget	Interim reports	Annual Audit Letter	Secondary Control Assurance Reviews	Risk Registers	Care Quality Commission
MTFS	Annual Opinion	Annual Value for Money Opinion	Code of Corporate Governance Assessment	Risk Management reports to Audit and Governance Committee	Local Government Ombudsmen
Annual Statement of Accounts	Core Assurance, Fraud and Investigation Reports				Peer Reviews
Quarterly Performance Reporting					

Governance and Business Planning Processes

Constitution	Code of Corporate Governance	Anti-Fraud and Corruption Policy
Whistleblowing Policy	Treasury Management Strategy	Workforce Strategy
HR Policies and Procedures	ICT Policies and Procedures	Department Business Plans
Data Protection Policy	Codes of Conduct – Member and Officers	Health and Safety Policies and Procedures

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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Risk Management Update Report

Portfolio Holder: Councillor Paul Findlow, Portfolio Holder, Corporate Policy and Legal Services

Senior Officer: Daniel Dickinson, Acting Director of Legal Services

1.0 Report Summary

1.1 This update report provides the Committee with a summary on risk management activity since the previous report at the end of May 2018.

2.0 Recommendation/s

2.1 That the Audit and Governance Committee note the report which is for provided for information.

3.0 Reasons for Recommendation/s

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.

4.0 Other Options Considered

4.1 This section is not applicable.

5.0 Background

5.1 Risk management is about effectively managing risks that could affect the achievement of the Council's objectives and ensuring that the Council has an appropriate risk culture in place.

5.2 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.

5.3 Business continuity management is a specialist area of the Council's risk management framework and is concerned with developing an organisation's ability to provide critical services, or business processes in the event of an interruption. It incorporates all aspects of an incident lifecycle from identification of an incident through to resuming business as usual activities. This is reinforced by the Civil Contingencies Act 2004 (CCA), which imposes a statutory duty for the Council to be resilient.

6.0 Briefing Information

Business Continuity:

6.1 The Council's corporate risk register identifies a wide range of threats which may disrupt services; the top 5 corporate risks include capacity and resource threats, financial resilience, and technology threats which means that the need for plans to deal with potential disruptions is more important than ever before.

6.2 Included within the Civil Contingencies Act are two distinct Business Continuity Management (BCM) related duties:

➤ Implementing business continuity plans

Section 2 (1)(c) of the Act places a legal duty on all category 1 responders (this includes the Council) to develop and maintain plans that will ensure they can continue to deliver their functions in an emergency so far as is reasonably practicable. These duties relate to all of a category 1 responder's functions, including the provision of key services, not just emergency response functions. In order to meet these requirements the Council needs to consider the resilience of organisations relied on to maintain key services, including wholly owned companies and third party service providers.

➤ Providing advice and assistance to commercial and voluntary organisations

Section 4 of the Act gives local authorities an additional duty: to promote and provide general BCM advice to commercial and voluntary organisations in their area. This duty is directly linked to the Government's overall resilience agenda and aims to enable local businesses to better maintain critical elements of their service and recover more quickly should an incident arise, subsequently lessening the economic and social impact on the local community. Local authorities may charge on a cost recovery basis for the requested provision of more specific advice and assistance.

6.3 The Council's Business Governance and Risk Manager is responsible for developing and delivering an effective business continuity programme. This

includes facilitation and co-ordination of plans throughout the organisation. The Council recognises the importance of ensuring that their professional staff remain competent and up to date with changes in best practice. The Business Continuity Institute (BCI) has recently updated its Good Practice Guidelines (GPG) to the 2018 Edition (previously 2013). This GPG forms the syllabus for the Certificate of the BCI (CBCI) examination leading to the internationally recognised CBCI credential. The GPG is recognised as industry best practice for professionals, by professionals in organisations all over the world. The Council has supported the Business Governance and Risk Manager in recently achieving this qualification to ensure continued professional capability in Business Continuity which is a key discipline that sits at the heart of building and improving the resilience of the Council.

6.4 “The business continuity programme is an ongoing management and governance process supported by top management and appropriately resourced to implement and maintain business continuity.” (Source ISO 22301:2012). It is important to note that the business continuity programme is an ongoing process, which adapts in response to the changing nature of the Council’s internal and external operating environment. In light of the updated GPGs the Council is treating the implementation of this programme as if its for the first time. This will mean undertaking all activities detailed in the business continuity management lifecycle, however revisions to the programme will likely involve less activity if there is no significant change in the Council’s requirements.

6.5 There are six professional practices that make up the stages of the business continuity management lifecycle which are as follows:-

Management practices

I. Policy and Programme Management

II. Embedding

Technical practices

III. Analysis

IV. Design

V. Implementation

VI. Validation

6.6 We are currently in the first stage of the lifecycle and as recommended by the Audit and Governance Committee, Cabinet approved the Business Continuity Policy Statement and Strategy on 10 July 2018. The Policy provided the

strategic direction from which the business continuity programme will be delivered and it defined the way in which the Council will approach business continuity. The next step is to refine the scope of the business continuity programme before proceeding with the Analysis, Design, Implementation and Validation stages of the business continuity management lifecycle. This will ensure that the business continuity programme and associated activities focus on the Council's priorities and ensure the programme makes best use of available resources. When determining the scope of the programme it is important for the Council to consider the maximum extent of damage, loss, or disruption to the Council.

- 6.7 The main technique used for the analysis of the Council for business continuity purposes is the business impact analysis (BIA), this provides information to determine the most appropriate business continuity solutions and an initial BIA can be used to clarify the scope of the business continuity programme. (This is typically only required the first time an organisation conducts a BIA). A thorough understanding of the organisation, using these analysis techniques can often highlight inefficiencies and areas for improvement to top management and so also add value. They also provide opportunities for collaboration between related management disciplines to contribute to, and build resilience. It is therefore important to identify and invite the most appropriate individuals to provide input into the BIAs and so this step is currently being worked on with the Corporate Leadership Team.
- 6.8 An important part of the business continuity lifecycle is about understanding and influencing organisational culture to ensure successful embedding of business continuity. This means identifying interested parties and determining how best to engage and communicate with them. As part of this, at the end of June we undertook an awareness raising campaign by undertaking a Cyber Attack Awareness Exercise with colleagues from across various areas of the Council.
- 6.9 The awareness session included a short briefing by ICT Shared Service as to the cyber risks faced by Cheshire East Council. The exercise was discussion based using a relevant scenario of the Council's ICT systems and network being attacked and switched off. The awareness exercise was set in a table-top environment and included various time-jumps to allow different phases of the scenario to be exercised and discussed. The aims of the awareness session were:-
- ✓ to engage colleagues across the Council in business continuity,
 - ✓ raise awareness of previous and possible future impacts,
 - ✓ consider existing measures and future measures to manage an incident
 - ✓ share best practice and ideas and resources

- ✓ assist with the further development of resilient Business Continuity Plans
- ✓ highlight areas of support and potential service requirements both corporately and by the IT Shared Service

6.10 The session was well attended by delegates representing the Council's three Directorates and the evaluation questionnaires gave positive feedback as follows:-

- 100% return that delegates felt the awareness session was of value to them
- Almost as many delegates found that the discussion with colleagues was as useful to them as undertaking the scenario exercise
- Of the different elements of the event 50% of the delegates found the awareness exercise elements as 'very good', 50% found them to be 'good' and there were no elements rated as 'very poor', 'poor' or 'satisfactory'
- The response to the question around what the delegates would have liked more of was to have practical examples and sessions on how to complete their business continuity plans which will be taken account of as part of the Business Continuity programme.

Risk Management:

6.11 Included in the Council's top 5 highest rated Corporate Risks is Risk 4 which is entitled 'Contract and Relationship Management'. The risk description for this risk is as follows:-

Contract and Relationship Management:

(Cause) Risk that the Council does not improve the effectiveness of its approach to contract management, including skilled staff to manage contracts and relationship management 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 it may have a detrimental effect on the Council's reputation for delivery.

6.12 The Committee will receive a short overview on the management of Corporate Risk 4 to date and the future planned mitigation to reduce this risk.

7.0 Implications of the Recommendations

7.1 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.

- 7.2 Financial: There are no direct financial implications in relation to this report. However, a risk around financial resilience is included as a corporate risk. General reserves are focused on the Council’s potential exposure to risk and the Council’s corporate insurance policies provide some financial compensation against 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.
- 7.3 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.
- 7.4 Risk Management: This report relates to overall risk management; the Audit and Governance Committee should be made aware of the most significant risks facing the Council and be assured that the risk management framework is operating effectively. The content of this report seeks 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

- 7.5 Rural Communities Implications:
There are no direct implications for rural communities.
- 7.6 Implications for Children & Young People:
There are no direct implications for children and young people.
- 7.7 Public Health Implications:
There are no direct implications for public health.

8.0 Contact Information

- 1.1. Any questions relating to this report should be directed to the following officer:

Name: Joanne Butler

Job Title: Business Governance and Risk Manager

Email: joanne.butler@cheshireeast.gov.uk

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Internal Audit Procurement Review

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. This report provides Members with an overview of the recent Internal Audit review of procurement which superseded a review initially commenced during 2015 that was paused as a result of a police investigation into the award of contracts.

2. Recommendation/s

- 2.1. That the Committee note the content of the report and the management actions agreed as a result of the review.

3. Reasons for Recommendation/s

- 3.1. Receiving this report aligns with the Audit and Governance Committee's terms of reference in considering reports on the effectiveness of internal control and requesting summaries of specific internal audit reports.
- 3.2. The report is also intended to provide assurance to the Committee that the learning points arising from the Internal Audit review will be effectively implemented and monitored, to improve future working practices.

4. Other Options Considered

- 4.1. No other options were considered as this update report is a request from the Committee.

5. Background

- 5.1. During August 2015, Internal Audit commenced a planned review of procurement arrangements to obtain assurance that appropriate controls

were in place to ensure compliance with Contract and Finance Procedure Rules.

- 5.2. The review had been included within the 2015/16 Internal Audit Plan as the Council's procurement rules had recently been updated to reflect changes to European Union and domestic procurement legislation. It also introduced simplified processes following the Council's decision to become a Strategic Commissioning Council, and the creation of Alternative Service Delivery Vehicles for the provision of Council services.
- 5.3. Shortly after the review commenced, the Council received whistleblowing referrals relating to the letting of a particular contract and it was decided that the most appropriate way in which to test the concerns raised was to do so as part of the ongoing procurement review. The rationale behind this approach was that Internal Audit would be able to access documentation relating to the contract award without drawing attention to it, thus reducing the risk of tipping off anyone identified by the whistleblowing referrals.
- 5.4. The testing of concerns commenced during September 2015 and was placed on hold in December 2015 when Cheshire Police commenced an investigation into the contract award. Following discussions between the Corporate Manager Governance and Audit and the police it was agreed not to continue the audit review until the police investigation had concluded.
- 5.5. Following discussion at the December 2016 meeting of this Committee, it was agreed that a new piece of work should be completed to provide assurance to both officers and Members that the arrangements in place to manage procurement activity were appropriate and effective. As such, a proposed terms of reference was shared with the Senior Investigating Officer undertaking the police investigation to ensure that any audit work in this area would not impact upon their work.
- 5.6. The terms of reference were agreed and work commenced during March 2017 on the new review of procurement arrangements. However, due to resource issues and competing priorities it was not possible to complete the review and as such it was again placed on hold and rolled forward into the 2017/18 Audit Plan. The audit review was completed in March 2018 with the final report issued to Management on 4 June 2018.
- 5.7. In planning the audit, three risks were identified and the policies, systems and procedures in place to manage these risks were subject to review to obtain assurance that they were both effective and appropriate.
- 5.8. The three identified risks were as follows:

Risk 1 - *Procurement rules and supporting processes are not sufficiently detailed or wide ranging so as to ensure that procurement activity across Cheshire East is both legal and in compliance with Finance & Contract Procedure Rules leading to failure to achieve value for money, legal challenge and reputational damage.*

Risk 2 - *Failure to effectively communicate procurement rules, and the associated requirements, to the appropriate officers resulting in procurement of goods and services not being carried out in accordance with current procedure and/or legislation leading to financial loss, legal challenge and reputational damage.*

Risk 3 - *Ineffective arrangements are in place to identify, regulate and, where appropriate, escalate non-compliance with Procurement Rules resulting in a failure to identify and correct poor or inappropriate practice resulting in failure to achieve value for money, financial loss, legal challenge and reputational damage.*

- 5.9. The review involved discussions with officers, examination of policies and procedures and testing of identified controls through a combination of walk through and sample testing. Where sample testing was undertaken, it included a range of transactions completed throughout 2017/18 in order to ensure that the findings were as comprehensive and reliable as possible and also captured an accurate reflection of current practice. However, Members should note that, in common with all audit reviews, although reasonable assurance can be drawn from test findings it is never possible to give complete assurance that all issues have been uncovered, as Internal Audit are unable to test every transaction.
- 5.10. The review identified no issues with Risk 1 or Risk 2 and therefore concluded that both were effectively managed. However, the following findings were reported in relation to Risk 3:

Finding 1 - A review of the corporate contracts register identified 33 out of the 633 contracts listed had passed their expiry date. This was clearly a concern and additional work was carried out to determine whether spend had continued or it was simply a matter of expired contracts not having been removed from the register. It was pleasing to note that no spend had taken place post expiry of any of these contracts and action was taken to update the Contract Register and ensure that it is kept up to date in future.

Management Response – The contracts register forms part of service team plans which should be subject to regular review by contract managers who should provide any updates to the Procurement Team. This should have identified the expired contracts and improved monitoring of contracts

within services is required. This area has also been subject to an Internal Audit review with appropriate recommendations agreed to improve the control environment.

However, in recognition of this weakness in control a process has been introduced within the Procurement team whereby the contracts register is checked at the end of each month to identify expired contracts. These are then reviewed, including an analysis of spend and closed down. In addition, the Procurement and Commissioning Group also monitor contracts that are nearing their expiry date to ensure that appropriate action is taken.

The new Business World system will include a new contract register linked to spend that will include workflow notifications to ensure that both contract managers and procurement staff are notified when contracts are due to expire. This will provide greater control and oversight of spend against contracts and non-contract expenditure and improve control in this area.

Finding 2 - The terms of reference for the recently established Commissioning and Procurement Board did not include the receipt and review of WARNs. This was contrary to the Contract Procedure Rules which clearly state at paragraphs 7.2.2 and 7.9 that waivers and breaches should be reported to the Commissioning and Procurement Board. Whilst this was a weakness it was felt that the impact was mitigated by the review of WARNs undertaken by Audit and Governance Committee. Furthermore, all WARNs are subject to consideration and approval by the s151 Officer and Monitoring Officer.

Management Action - The Procurement Manager took action to update the terms of reference for the Commissioning and Procurement Board and the updated terms of reference were approved at the meeting held on 27 June 2018 at which the Board also received a WARNs report.

Finding 3 - A review of the procurement information available on the Council's website identified a Procurement Strategy dated 2014/2017. The Strategy included 24 agreed targets and measures with timeframes for implementation dating from 2014/15 to 2017/18. One of the measures included in the Strategy was to report the progress on the Strategy bi-annually. A review of the Procurement Board minutes from 2014 to 2017 highlighted that whilst some of the targets and measures have been monitored, there was no evidence to demonstrate that overall progress against the Strategy targets and measures had been formally reviewed and reported on.

Management Action - The Corporate Procurement Unit is in the process of developing a new Procurement Strategy which is due to be approved

and implemented later in 2018. The Procurement Manager has acknowledged that reporting of performance against the previous strategy could have been improved and confirmed that all of the targets and measures set out in the previous version have been included in the process for identifying and developing targets for inclusion within the Procurement Strategy 2018-2021. Progress against objectives, measures and targets will be subject to regular monitoring and formal reports to the Commissioning and Procurement Board.

- 5.11. Given the low number of identified findings, the swift resolution of these by the Procurement Manager, and the effective controls that were found to be in place and operating effectively, a 'Satisfactory' audit opinion was provided.
- 5.12. However, given the level of risk associated with procurement activities across the whole of the public sector, this area will continue to be subject to regular audit reviews to ensure that appropriate controls are in place to safeguard the public purse and ensure that Cheshire East Council is compliant with both legislation and regulations.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. There are no direct legal implications although a failure to comply with procurement legislation would have a significant impact in this area

6.2. Finance Implications

- 6.2.1. There are no direct financial implications although a failure to effectively manage procurement activity would have a significant impact in this area.

6.3. Policy Implications

- 6.3.1. There are no direct policy implications.

6.4. Equality Implications

- 6.4.1. This report did not require an Equality Impact Assessment to be completed.

6.5. Human Resources Implications

- 6.5.1. There are no direct human resources implications.

6.6. Risk Management Implications

6.6.1. This report provides assurance that the identified risks are being managed effectively and that appropriate action has been taken to address identified weaknesses.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. Procurement activity impacts upon all areas of service delivery and the whole of the Cheshire East area, therefore all Members are affected.

8. Access to Information

8.1. Not applicable.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Michael Todd

Job Title: Principal Auditor

Email: michael.todd@cheshireeast.gov.uk



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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Information Governance Update

Senior Officer: Jan Willis, Interim Executive Director Corporate Services

1. Report Summary

- 1.1. This report provides an update on progress with General Data Protection Regulation (GDPR) and outlines the continued delivery required to achieve compliance to GDPR and the Data Protection Act 2018.
- 1.2. This report is to provide assurance on the Council's GDPR readiness and awareness, this supports Strategic Outcome 6 – a responsible, effective and efficient organisation.

2. Recommendation

- 2.1. To note and receive detail on the assurance on progress of delivery in relation to the GDPR.

3. Reasons for Recommendation/s

- 3.1. To provide Audit and Governance with an update on GDPR delivery.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Information Assurance (IA) is the practice of assuring information and managing risks related to the use, processing, storage and transmission of data. The Information Governance Group (IGG) is used to monitor and report on the maturity of the organisation.
- 5.2. The IGG oversee a number of activities including monitoring the number and nature of information incidents.

- 5.3. To support and increase the maturity of the organisation the Council has developed an IADM programme. The IADM programme has been tasked with leading the Authority to GDPR compliance. Following the guidance that has been issued from the Information Commissioners Office (ICO), it has adopted a risk based approach to meet compliance.
- 5.4. GDPR is the EU legislation, which alongside the UKs Data Protection Act 2018 will replace the Data Protection Act 1998. The privacy changes came into force 25th May 2018 and provide all individuals within the EU with extra rights and greater control of their information. This in turn means that the Council must be fully informed of what, where and how it stores information on individuals across the organisation.
- 5.5. The GDPR delivery prior to the 25th May 2018 focussed on high priority and critical compliance measures. The project used a risk based approach and the highest risk areas in terms of sensitivity were identified and targeted through contract variations, staff awareness, consent modelling and process change in this first phase. The plan was delivered on time with essential processes and practices associated with Individual Rights, Breach Management and Data Management processes complete.
- 5.6. Mandatory training has been rolled out across the organisation. The current completion figure across the organisation is 87%. The programme will continue to monitor and remind colleagues of the importance of completing this mandatory training. An email reminder has been sent to all who have not completed the training and this will be followed up. The programme is looking to roll out additional training to particular teams who have a requirement to understand the Data Protection Act 2018 in more detail.
- 5.7. The programme team are now defining second phase GDPR delivery which will address further system requirements and changes to business processes. It is noted that the go live date is the start of compliance and much work still needs to be done post May 2018.
- 5.8. The second phase action plan will focus on transitioning completed GDPR processes and practices into service / business as usual as well as additional activities required for organisational compliance.
- 5.9. The programme team will continue to work with Service champions who play a pivotal role within their areas to promote GDPR, understand operational implications, the impact to their service, and wider Information Governance

best practices. IADM programme will continue to deliver GDPR within approved governance and communication plans.

- 5.10. The wider IADM programme will drive project delivery pertinent to maturing organisational culture as genuine compliance will only be met if the organisation strategically and operationally aligns to corporate information management strategy, process and policy.
- 5.11. The programme team is gaining re-assurance from the service areas on compliance to the GDPR principles by a number of elements. These include regular monitoring of training completed, monitoring of information breaches which include scoring by severity. There is also the GDPR steering group which feeds back on progress and adherence to principles.
- 5.12. The organisation continues to work towards best practice and GDPR compliance via delivery under the IADM Programme, the Council can be assured that reasonable steps have been completed to ensure the organisation has prepared itself as much as possible to align to GDPR. The Information Commissioner has acknowledged that steps towards on-going compliance are expected to run past May 2018.
- 5.13. Information and guidance continues to be published on the Council's Intranet.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The implications of the regulations have been communicated to members of staff. The standard contract templates for procurement and legal have been changed to ensure all contracts and procurements going forward consider GDPR as required

6.2. Finance Implications

- 6.2.1. Non-compliance to the regulations can result in financial penalties of 4% of turnover up to a maximum fine of €20m. The fine is capped at €20m as we are a Public Authority.

6.3. Policy Implications

- 6.3.1. The Council's internal policy on Data Protection will reflect any changes identified as part of the GDPR, the Data Protection Bill and the Data Protection Act 2018.

6.4. Equality Implications

6.4.1. As part of the review of the Data Protection Policy an Equality Impact Assessment will be conducted.

6.5. Human Resources Implications

6.5.1. All Members, employees and contractors have been requested to complete an e-learning module on GDPR.

6.6. Risk Management Implications

6.6.1. Any changes to the risk profile of information and the Council will be detailed within the corporate risk register.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. Implications are borough wide

8. Consultation & Engagement

8.1. The draft Annual Governance Statement has been considered by the Audit and Governance Committee in May 2018.

9. Access to Information

9.1. There are no supporting documents.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Gareth Pawlett

Job Title: Chief Information Officer

Email: Gareth.Pawlett@cheshireeast.gov.uk



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Version Number: 3.0

Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Maladministration Decision Notices from Local Government
Ombudsman – February – March 2018

Portfolio Holder: Councillor Liz Wardlaw – Deputy Leader

Senior Officer: Daniel Dickinson – Acting Director of Legal Services

1. Report Summary

- 1.1. This report provides an update on the Decision Notices issued by the Local Government Ombudsman when their investigations have found maladministration causing injustice to complainants. Decisions between 1st April 2017 and 31st January were reported at the Audit & Governance Committee on 31st May. This report details the decisions made between 1st February 2018 and 31st March 2018 only. There were two decisions where it was found that there was maladministration causing injustice; the relevant departments have taken the recommended actions and learned lessons from the investigation outcomes. It is not possible to report on any Decision Notices issued during April and May 2018, as the LGO impose a three month reporting embargo. Any decisions received after 31st March will be reported at a subsequent Audit & Governance meeting.

2. Recommendation

- 2.1. That the Committee notes the contents of this report and makes any further response it considers appropriate.

3. Reasons for Recommendation

- 3.1. The Terms of Reference for the Audit & Governance Committee include seeing assurance that customer complaint arrangements are robust and that recommendations agreed with the LGO are being implemented.

4. Background

- 4.1 The Local Government Act 1974 established the Local Government Ombudsman (LGO). It empowers the Ombudsman to investigate complaints against councils and adult social care providers and to provide advice and guidance on good administrative practice. Once a complainant has exhausted the Council's Complaints procedure, their next recourse, should they remain dissatisfied with the Council's response, is to contact the LGO.
- 2.2 The LGO will assess the merits of each case escalated to them and seek clarification from the Council as necessary before making the decision to investigate a complaint. Once the LGO decides to investigate, they will try to ascertain if maladministration has occurred and whether or not there has been any resulting injustice to the complainant as a result of the maladministration.
- 2.3 In instances where maladministration and injustice is found, the LGO will make non-legally binding recommendations which they consider to be appropriate and reasonable. Although not legally binding, refusal to accept the LGO's recommendation will trigger a Public report. A Public Report is a detailed account of the complaint, outlining the failures by the Council in this particular investigation; this can have a significant damaging effect on the Council's reputation.

3. Briefing Information

- 3.1 During the period between 1st February and 31st March 2018 the Council received two Decision Notices in which the LGO have concluded that there has been maladministration causing injustice. These are detailed in Appendix 1.

4. Implications

4.1 Legal Implications

There are no legal implications flowing directly from the content of this report.

4.2 Financial Implications

If fault causing injustice is found, the Council can be asked to pay compensation to a complainant. In the period being reported, the Council was not required to make any compensation payments.

4.3 Policy Implications

Adherence to the recommendations of the LGO is key to ensuring that customer have objective and effective recourse should they be unhappy with the way in which the Council has responded to their complaint.

4.4 Equality Implications

There are no equality implications flowing directly from the content of this report.

4.6 Human Resources Implications

There are no HR implications flowing directly from the content of this report.

5.0 Contact Information

Any questions relating to this report should be directed to the following officer:

Name: Juan Turner

Job Title: Compliance and Customer Relations Officer

Email: juan.turner@cheshireeast.gov.uk

Service	Summary and Ombudsman's final decision	Agreed Action
Environmental Protection	Mr C complained that the Council had failed to properly investigate his reports of noise and dust nuisance caused by a neighbouring haulage company. The Ombudsman found evidence of fault by the Council. The complaint was upheld and the investigation completed on the basis that the Council agreed to investigate the nuisance issues further.	Start a new investigation into the dust and noise complaints, send Mr. C diary sheets, consider what evidence gathering is required and maintain contact with Mr. C. Records of key actions, such as site visits, should be documented and explained to Mr C. Send a letter of apology to Mr C for the errors in his case and share lessons from this case with Officers to prevent a reoccurrence.
Public Transportation (Buses and School Transport)	Mrs X complained about the Council's decision to remove free school transport for her son. The Ombudsman found the Council at fault in its handling of the complaint. He recommended the Council provide Mrs X with an apology and take action to prevent future failings.	The Council to review its standard letters and amend as necessary to ensure they accurately reflect its policy regarding the grounds for review/appeal. This to be done within three months of the date of the decision. Provide Mrs X with a written apology for failing to consider her concerns in full at the review stage. This to be done within one month of the date of the decision.

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Committee Work Plan 2018/19

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. This report presents the Committee's Work Plan for the remaining meetings in 2018/19 (Appendix A) to the Committee for consideration.

2. Recommendation/s

- 2.1. That the Committee:
 - 2.1.1. Consider the Work Plan and determine any required amendments;
 - 2.1.2. Note that the plan will be brought back to the Committee throughout the year for further development and approval.

3. Reasons for Recommendation/s

- 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. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Aspects of the Audit and Governance Committee's 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.

- 5.2. By identifying the key topics to be considered at the Audit and Governance Committee meetings, and receiving appropriate reports, Committee Members are able to undertake their duties effectively and deliver them to a high standard. In turn, this adds to the robustness of the risk management framework, the adequacy of the internal control environment and the integrity of the financial reporting and corporate governance of the Council.
- 5.3. Members will recognise that some items are brought to Committee on a more regular basis than others and ensure that statutory requirements are complied with. There are also individual requirements of the Committee's Terms of Reference which are only used on an ad-hoc basis.
- 5.4. In order to help with their deliberations, Members are asked to consider the following:
 - 5.4.1. 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.
 - 5.4.2. 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
 - 5.4.3. 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.
- 5.5. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.
- 5.6. In agreement with the Committee Chair, the following reports which had initially been scheduled for the 31st July 2018 meeting have been re-scheduled for future meetings of the Committee.
 - 5.6.1. "Anti Fraud and Corruption Policy". This report has been deferred to allow more information about the intended work of the Counter Fraud team to be included, once the restructure has completed.
 - 5.6.2. "Treasury Management Annual report". This has been deferred to September 2018 to align with the report to Cabinet.

5.6.3. "Update on Internal Audit reports on land acquisitions". As work is still ongoing in this area, we will have to reschedule to next available A&G following completion of all work. This report will provide the Committee with an understanding of the general control weaknesses identified during the investigations and assurance on whether these historic weaknesses have now been addressed.

5.7. CIPFA have now published their 2018 Edition of "Practical Guidance for Local Authorities and Police". This guidance will be reviewed and a report brought to the Committee in due course to advise on the updated guidance and the implications for the Committee, including any impact on the Committee's Terms of Reference.

5.8. Legal Implications

5.8.1. The Work Plan for 2017/18 complies with the requirements of the Accounts and Audit Regulations 2015.

5.9. Finance Implications

5.9.1. 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.

5.10. Equality Implications

5.10.1. There are no direct implications for equality in this report. The Audit and Governance Committee receives assurances from across the organisation

5.11. Human Resources Implications

5.11.1. Members should be satisfied that the inclusion of each item on its agenda results in added value, as the assurance process has a resource implication to the organisation and should therefore be proportional to the risk.

5.12. Risk Management Implications

5.12.1. 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:

5.12.1.1. raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations,

5.12.1.2. increase public confidence in the objectivity and fairness of financial and other reporting

5.12.1.3. reinforce the importance and independence of internal and external audit and any other similar review process

5.12.1.4. provide additional assurance through a process of independent and objective review

5.13. Rural Communities Implications

5.13.1. There are no direct implications for rural communities.

5.14. Implications for Children & Young People

5.14.1. There are no direct implications for children and young people.

5.15. Public Health Implications

5.15.1. There are no direct implications for public health.

6. Ward Members Affected

6.1. All wards affected.

7. Consultation & Engagement

7.1. The proposed Work Plan for 2018/19 was prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee. The proposed Work Plan was also discussed with the Committee Chair and Vice Chair and was considered by the Corporate Leadership Team prior to presentation to the Committee in March 2018.

8. Access to Information

8.1. Not applicable.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officers:

Name: Michael Todd/Josie Griffiths

Job Title: Principal Auditors

Email: michael.todd@cheshireeast.gov.uk

josie.griffiths@cheshireeast.gov.uk

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
31st July 2018			
External Audit Findings Report 2017/18 <i>Including</i> 2017/18 Audit Findings and Action Plan (Management Response)	Summary of findings from the 2017/18 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, and the Council's management response to the 2017/18 Audit Findings Report presented by the external auditors to the Audit & Governance Committee.	31 37	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
Annual Statement of Accounts 2017/18	Approval of the Audited Statement of Accounts for 2017/18	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.
Annual Report of the Audit and Governance Committee 2017/18	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.
Annual Governance Statement 2017/18	Approval of the Annual Governance Statement 2017/18	7	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
			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.
Risk Management Update	<p>This report will update the Committee on Risk Management and Business Continuity activity in the Council.</p> <p>This will include a briefing on the management of a Corporate Risk: Contract and Relationship Management.</p>	10	<p>To monitor the effective development and operation of risk management in the council.</p> <p>To monitor progress in addressing risk related issues reported to the committee.</p>
Review of the Council's procurement arrangements	<p>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.</p> <p>The outcome of this work will be reported to a future meeting of the Audit and Governance Committee.</p>	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, 8th December 2016 Audit and Governance Committee.</p>
Progress update – Preparation for the General Data Protection	This report will provide the Committee with an update on the Council's progress in preparing for the General Data Protection	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Regulations	Regulations.		reports and assurances. Added as a standing item at the request of the Committee on 31 st March 2018
Presentation on the Best 4 Business Project	This presentation will cover the governance and assurance arrangements for the B4B project.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Upheld Complaints to the Local Government Ombudsmen	<p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the 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 	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>

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	the report, and that this process doesn't duplicate any existing process or reporting.		
Audit and Governance Committee Work Plan	Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2)	38	To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules.
29th September 2018			
Grant Thornton - Annual Audit Letter 2017/18	Summary of the External Audit findings from the 2017/18 audit. The letter will also confirm the final audit fee.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Certification Report 2017/18	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2017/18 claims and returns.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Treasury Management Annual Report	This report will update the Committee on Treasury Management activity over the year.	17	To review and monitor the Council's Treasury Management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Customer Feedback and	The report will provide a summary of the	42	To seek assurance that customer complaint

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Complaints: Annual Report based on LGO report	key issues from the annual report received by the Local Government Ombudsmen.		arrangements are robust.
Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st March 2018 and the end of August 2018.	45	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).
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council. This will include a briefing by the Risk Owner on the management of a Corporate Risk: (TBC)	10 11	To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related issues reported to the committee.
Internal Audit – 2018/19 Plan Progress Update	This report will provide the Committee with a progress report against the Internal Audit Plan 2018/19. This will include any necessary changes to the Internal Audit Charter in accordance with the Public Sector Internal Audit Standards.	12 18 21	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress. To approve the Internal Audit Charter. To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
		23	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.
Contract Management Toolkit	This report will update the Committee on how the toolkit and processes are being embedded.	8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
		9	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
Upheld Complaints to the Local Government Ombudsmen	<p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the 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 	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>

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	<ul style="list-style-type: none"> 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. 		(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.
Audit and Governance Committee Work Plan	Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2)	38	To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules.
Progress update – Preparation for the General Data Protection Regulations	This report will provide the Committee with an update on the Council's progress in preparing for the General Data Protection Regulations.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. Added as a standing item at the request of the Committee on 31 st March 2018
6th December 2018			

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Introduction to the new External Auditors	Introduction to the Committee of the Council's new external auditors; Mazaars		
Draft Treasury Management Strategy and Minimum Revenue Position Statement 2019/20	<p>Update on the contents of the Council's Treasury Management Strategy for 2019/20.</p> <p>The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management.</p> <p>This responsibility has been nominated to the Audit & Governance Committee.</p>	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice
Annual Governance Statement Update	<p>Update on actions to improve governance arrangements and respond to emerging issues identified in the 2017/18 Annual Governance Statement.</p> <p>Proposed process for the production of the 2018/19 Annual Governance Statement.</p>	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Internal Audit Interim Update Report 2018/19	Progress report against the Internal Audit Plan 2018/19.	12	To consider reports on the effectiveness of internal controls and monitor the implementation

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standards.	18	of agreed actions, including calling managers to explain lack of progress. To approve the Internal Audit Charter.
		21	To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
		23	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.
Revising the Council's Code of Corporate Governance	This report will update the Committee on the review of the Council's Code of Corporate Governance against best practice guidance and the use of the Code in practice and consider any changes which may be desirable	9	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
		6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity 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.

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
	This will include a briefing by the Risk Owner on the management of a Corporate Risk: (TBC)		
Upheld Complaints to the Local Government Ombudsmen	<p>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 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>
Audit and Governance Committee Work Plan	Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule	Report to update Committee on the quantity	38	To receive retrospectively for information all

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Non-Adherences (Part 1 and Part 2)	and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2)		notices which are used to record any non-adherence to the Council's Contract Procedure Rules.
Progress update – Preparation for the General Data Protection Regulations	This report will provide the Committee with an update on the Council's progress in preparing for the General Data Protection Regulations.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. Added as a standing item at the request of the Committee on 31 st March 2018
14th March 2019			
Mazaars Risk Assessment of Cheshire East Council	To present and consider Management's responses to questions posed by the External Auditor. <i>(Anticipated Equivalent Report to "Informing the Risk Assessment")</i>	32	To consider specific reports as agreed with the external auditor.
Update on the 2017/18 External Audit Plan	To receive an update from the Council's External Auditors in relation to the 2017/18 external audit report and other issues	31 33	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. To comment on the scope and depth of external audit work and to ensure it gives value for money

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
External Audit Plan for 2018/19 (Mazaars)	To receive and comment on External Audit's planned work for the audit of financial statements and the value for money conclusion 2018/19	33	To comment on the scope and depth of external audit work and to ensure it gives value for money
Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st September 2018 and the end of February 2019.	45	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).
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council. This will include a briefing by the Risk Owner on the management of a Corporate Risk	10 11	To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related issues reported to the committee.
Internal Audit Interim Report	To consider a summary of Internal Audit Work undertaken between October and December 2018		Various (Detailed in ToR)
Internal Audit Plan 2019/20	Approval of the summary risk based Internal Audit Plan for 2019/20	20	To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
Upheld Complaints to the	Members have requested that they receive	43	Subject to the requirements set out below, to

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Local Government Ombudsmen	<p>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 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. 		<p>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>
Audit and Governance Committee Work Plan	Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	38	To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
(Part 1 and Part 2)	(Part 1 and Part 2)		Rules.
Progress update – Preparation for the General Data Protection Regulations	This report will provide the Committee with an update on the Council's progress in preparing for the General Data Protection Regulations.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. Added as a standing item at the request of the Committee on 31 st March 2018
Unscheduled items			
Work Programme for Member/Officer Working Groups	Forward looking programme of meetings and agenda items to: <ul style="list-style-type: none"> • enable individual Members to become more involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise • 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 	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.
Feedback from Member/Officer Working	The outcome of Member/Officer Groups work which, where possible, will be fed back	44	The Committee may establish standing and time-bound working groups (which may but need not

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Groups	to the Committee during the relevant agenda item. However, some of the feedback may, at the request of the Committee, require specific reports		be politically balanced) to consider any matters within the terms of reference of the Committee.
Outcome of the External Assessment of Internal Audit	To report back to the Committee on the External Assessment of the Internal Audit function's compliance with the Public Sector Internal Audit Standards undertaken in January 2018	4 27	It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
Approach to disclosure of Internal Audit Reports	Report to the Audit and Governance Committee regarding the current approach to the sharing of Internal Audit reports and presenting options for future consideration	4 25	It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. To consider summaries of specific internal audit reports as requested.
Audit and Governance Committee Terms of Reference	To consider the Committee's Terms of Reference and whether any changes would be desirable, following the publication of CIPFA's Guidance (Audit Committees: Practical Guidance for Local Authorities and Police) (2018)	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.

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		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Member Declarations of Interest	A review of the classes of interest to be declared by Members and for inclusion in the Members Code of Conduct.	45	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). Added to the Work Plan at the request of Members on 31 st March 2018.
Counter Fraud Update report	To update the Committee with: <ul style="list-style-type: none"> • an overview of developments that are taking place nationally, • an update on anti-fraud and corruption activity at Cheshire East; and • details of work that will be completed to ensure compliance with best practice and improve Cheshire East's resilience to the threat of fraud and corruption. 	14	To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.
Anti-Fraud and Corruption Policy	This report sets out the review of the Council's Anti-Fraud and Corruption Policy against current best practice and identifies any suggestions for improvements to the current arrangements.	13 15 41	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources. To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption.

Work Plan 2018/19

		Extract from the Terms of Reference – October 2016	
Agenda Item	Description	No	Detail
Update on Internal Audit Reports on Land Acquisitions	This report will update the Committee on the Management Actions agreed in response to the Internal Audit review of land acquisitions.	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.
Updated Whistleblowing Policy and Procedure	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy	41	To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption.

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Waivers and Non Adherences (WARNs)

Senior Officer: Jan Willis – Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number and reasons for waivers and non adherences (WARNs) which have been approved between the 1st April 2018 and the 30th June 2018.

The approved WARNs are published retrospectively for information on the next appropriate Audit and Governance Committee. The number of WARNs to be presented to the July Audit and Governance Committee is 6; 4 waivers and 2 non adherences.

All WARNs will be presented to the Audit and Governance Committee without any information redacted. However, they will be presented in Part 2 of the Committee as they may contain commercially sensitive information and/or Officer Details.

2. Recommendation/s

- 2.1. That the Audit and Governance Committee note the number and reason for waivers and non adherences (WARNs) approved between 1st of April 2018 and 30st June 2018.

3. Reasons for Recommendation/s

- 3.1. The Audit and Governance Committee has a key role in overseeing governance arrangements within the Council and has a requirement to retrospectively review all approved WARNs. The WARN process forms part of the Councils Contract Procedure Rules (CPRs), which are intended to promote good procurement and commissioning practice, transparency and clear public accountability.

4. Other Options Considered

- 4.1. N/A

5. Background

5.1. All WARNs approved in the period between Audit and Governance Committees will be presented to the following Committee. This report contains all WARNs approved from the 1st April 2018 to the 30th June 2018.

The WARN process records the following;

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with the Contract Procedure Rules, Part 5. Section 7.1-7.3.
- Non Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Part 5. Section 7.4-7.10.

Waivers are a compliant part of the Contract Procedure Rules and are used where there is a genuine business case to direct award without the need for competition.

WARNs	2014-2015	2015-2016	2016-2017	2017- 2018	April – June 2018
Non Adherence	20	25	33	10	2
Waiver	62	45	40	20	4
Grand Total	82	70	73	30	6

5.2. A summary of the total number of WARNs for the reporting periods 2014 - 2017 is set out below:

The figure for financial year 2016 – 2017 increased slightly due to it including 16 ICT WARNs which were previously managed through CoSocius. If these were removed then the figure would be 54 meaning a reduction from the previous year.

The total number of WARN's for 2017-2018 was 30. This is a reduction from the previous year of 59%.

This reduction in waivers and non adherences is the result of improved forward planning, better information such as enhanced contracts register and proactively working with services to inform better outcomes and ensuring compliant contracts are in place.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner.

6.1.2. Employees must also seek to ensure value for money and take care to avoid the risk of legal challenge to the Council in relation to the use of its financial resources. The Council's Officer Delegations, Finance and Contract Procedure Rules and Operating Procedures must, therefore, be followed at all times. This report sets out compliance with Contract Procedure Rules.

6.2. Finance Implications

6.2.1. The Council's Constitution Finance Procedure Rule 2.30; Chapter 3 - Part 4: Section 2 explains that the Corporate Leadership Team (CLT) are responsible for working within their respective budget limits and to utilise resources allocated to them in the most efficient, effective and economic way.

6.2.2. Along with comments from Procurement and Legal Officers, Finance Officers are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard (e.g. that the relevant Service has identified sufficient existing budget to cover the proposal; and also that the Service has considered how to achieve best value for money via this particular recommended course of action).

6.3. Equality Implications

6.3.1. N/A

6.4. Human Resources Implications

6.4.1. N/A

6.5. Risk Management Implications

6.5.1. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing significant financial and reputational risk to the Council. This includes procurement processes.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

6.7.1. There are no direct implications for children and young people.

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. N/A

8. Consultation & Engagement

8.1. N/A

9. Access to Information

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

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: lianne.halliday@cheshireeast.gov.uk

Appendix 1

CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING

A	Genuine Emergency – which warrant an exception to the requirements
B	Specialist Education or Social Care Requirements
C	Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
D	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
E	In-depth Knowledge, skills and capability of project/services already in existence with consultants/providers carrying out related activity – therefore procuring new consultants/skills would be uneconomic given the investment in previous, related work.
F	No valid tender bids received, therefore direct award can be substantiated
G	Lack of Planning
H	Other – Any other valid general circumstances up to the EU threshold

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