

# CHESHIRE EAST COUNCIL

## Audit and Governance Committee

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**Date of Meeting:** 29<sup>th</sup> September 2011  
**Report of:** Director of Finance and Business Services  
**Subject/Title:** Work Plan  
**Portfolio Holder:** Councillor Michael Jones (Resources)

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### **1.0 Report Summary**

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

### **2.0 Decision Requested**

- 2.1 That the Committee

- (1) consider the Work Plan and determine any required amendments;
- (2) note the changes made to the plan since it was last discussed in June 2011; and
- (3) note that the plan will be periodically brought back to the Committee for development and approval.

### **3.0 Reasons for Recommendations**

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

### **4.0 Wards Affected**

- 4.1 All wards.

### **5.0 Local Ward Members**

- 5.1 Not applicable.

### **6.0 Policy Implications including - Climate change/Health**

- 6.1 Not applicable.

## **7.0 Financial Implications (Authorised by the Borough Treasurer)**

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

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 The Work Plan must take account of the requirements of the Accounts and Audit Regulations 2011.

## **9.0 Risk Management**

- 9.1 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an effective audit committee can:

- raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- increase public confidence in the objectivity and fairness of financial and other reporting
- reinforce the importance and independence of internal and external audit and any other similar review process
- provide additional assurance through a process of independent and objective review

- 9.2 A comprehensive Work Plan is necessary to ensure that the Committee fulfils its responsibilities.

## **10.0 Background and Options**

- 10.1 The functions of the Audit and Governance Committee are set out in Part 3 of the Council's Constitution. The general responsibilities can be summarised as follows:

- Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seeking assurance that action is being taken on risk related issues identified by auditors and inspectors.
- Being satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Approving (but not directing) Internal Audit's strategy, plan and monitoring performance.

- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.
- Receiving the annual report of the Head of Internal Audit
- Considering the findings of the review of effectiveness of the system of internal audit.
- Considering the reports of external audit and inspection agencies.
- Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Reviewing the financial statements, external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.

More specific responsibilities include:

- developing a Code of Corporate Governance
- approving the Council's Statement of Accounts
- where necessary, overseeing and agreeing the arrangements for Members to be indemnified for and insured against risks and liabilities arising from the performance of their duties as Members of the Council, and as the Council's representatives on outside bodies
- approving the Annual Governance Statement
- seeking assurance that customer complaint arrangements are robust
- reviewing the Council's whistle blowing arrangements
- overseeing the implementation of the Council's anti fraud and corruption policy and strategy.

10.2 A forward looking programme of meetings and agenda items has been attached at Appendix A of this report. The Committee is now asked to consider the contents of the programme and establish any additional agenda items/training/briefing sessions that will enable it to meet its responsibilities. In order to help Members with their deliberations the table below includes areas that, in accordance with the Better Governance Forum, an Audit Committee could include in its work plan in order to gain an understanding of its responsibilities and discharge its duties. The table below indicates where training has already been delivered.

<b>Responsibility</b>	<b>Training/Briefing Sessions to include:</b>
Induction	A briefing session on the Committee's core functions and structure was held in September 2011.
Audit Activity	It is recommended that the Committee is briefed on the roles of the auditors including an understanding of the difference between the internal and external audit functions, their responsibilities and duties, terms of reference and what the Committee can expect of them.

Responsibility	Training/Briefing Sessions to include:
Regulatory Framework	<p>The Regulatory framework within which the Authority works, including contract procedure rules, financial regulations, codes of conduct and behaviour, the complaints process, Freedom of Information, Data Protection and The Regulation of Investigatory Powers Act, is seen as an essential area of understanding for all Members of the Committee. As is the need to be kept up to date with any changes.</p>
Accounts	<p>Some of the more technically complex subjects the Committee will have to address are those relating to the annual accounts.</p> <p>It is essential that Members are able to understand both the structure and content of the accounts to a level that they can question their content and understand the responses. They will need to understand key concepts such as provisions, reserves, bad debts, cash flow and the structure of the balance sheet.</p> <p>It is recommended that Members understand the structure of local government funding and grants and sources of other income.</p> <p>Training was provided in September 2011 on the Statement of Accounts including:</p> <ul style="list-style-type: none"> <li>➤ Role of the Audit &amp; Governance Committee</li> <li>➤ Statutory Audit</li> <li>➤ Changes to the 2010-11 Accounts – International Financial Reporting Standards</li> <li>➤ Accounting Statements</li> <li>➤ Reconciliation between management accounts &amp; statutory accounts</li> <li>➤ Balance Sheet</li> <li>➤ Reserves &amp; Balances</li> </ul> <p>IFRS 2010/11 Local Authority Financial Accounts Closedown including:</p> <ul style="list-style-type: none"> <li>➤ IFRS Governance Issues</li> <li>➤ IFRS Accounts – Explaining the Key elements</li> </ul>
Corporate Governance & Annual Governance Statement.	<p>The Members should be fully aware of the Authority's structure of corporate governance, their place within that structure and changes to it.</p> <p>The Committee were briefed in September 2011 on</p>

<b>Responsibility</b>	<b>Training/Briefing Sessions to include:</b>
	<p>the Council's AGS process.</p> <p>The Committee needs to be made aware of updates on the AGS.</p>
Value for Money and Efficiency Issues	The Committee should be made aware of the Authority's programme and processes for achieving value for money.
Risk Management	<p>Part of the Committees remit involves taking an overview of risk management arrangements. Members were given training in the basic concepts of risk management, including how the risks are identified, measured, mitigated and how the level of residual risk is decided in November 2010.</p> <p>The Committee will also need to understand the requirements of the Civil Contingencies Act and how the authority manages its own contingency and business recovery plans and how the role of insurance and other risk financing is used in the management of risk.</p>
Fraud Management	The Audit Committee needs to oversee the Management arrangements to counter fraud and corruption including the implementation of the anti fraud and corruption strategy and whistleblowing policies.

10.3 Furthermore, the Committee should note that the following changes have been made to the programme that was discussed in June 2011.

- A report on Local Government Ombudsman complaints and customer complaints is included on the September Agenda to enable Members to be assured that arrangements in place are sufficiently robust
- The Chairman's Annual Report has been included in the unallocated section of the Work Plan
- Business Continuity update – The report has been withdrawn in order to consider the frequency and content of future reports following the Committees request to review specific examples of a business continuity plan

- Breach of Contract Procedure Rules - A report outlining the reasons for non-compliance and the steps taken to prevent a re-occurrence has been included on the September Agenda
- Anti Fraud & Corruption Policy - A final draft of the Anti Fraud and Corruption Policy has been carried forward to the January Agenda. Work on Fraud Risk has, however, continued throughout the quarter. This includes meeting the requirements of the National Fraud Initiative (NFI) and developing the Council's Whistleblowing Policy.
- Annual Governance Statement 2011/12 - The process for the production of 2011/12 AGS is currently under review and will be reported to Members in January 2012

### **11.0 Access to Information**

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

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