

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 31st January, 2013 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

Councillors S Corcoran, R Fletcher, M Hardy, S Hogben, A Kolker, D Marren
and M J Simon

In attendance

Councillor K Edwards
Councillor B Moran
Councillor P Raynes

Officers

Kim Ryley, Interim Chief Executive
Vivienne Quayle, Head of Performance, Customer Services and Capacity
Mike Rowan, Interim Borough Solicitor
Joanne Butler, Performance and Risk Manager
Paul Mountford, Democratic Services Officer
Jon Robinson, Internal Audit
Sandra Smith, Customer Relations and Compliance Manager
Neil Taylor, Internal Audit
Joanne Wilcox, Corporate Finance Lead

External Auditor – Grant Thornton

Judith Tench

Apologies

Councillor L Roberts

The Chairman welcomed the Interim Borough Solicitor, Mike Rowan, to his
first meeting of the Committee.

30 DECLARATIONS OF INTEREST

There were no declarations of interest.

31 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public wishing to speak.

32 MINUTES OF PREVIOUS MEETING

With regard to Minute 22, at the Chairman's request, Councillor Marren, who was Chairman of the Community Governance Review Sub-Committee, clarified that briefing seminars were being arranged for prospective candidates for the Crewe parish elections. Once the parish council had been elected, ongoing support for the new council would be provided initially by ChALC and by an Interim Parish Clerk to be appointed by Cheshire East Council.

RESOLVED

That

- (1) the minutes of the meeting of 27th September 2012 be approved as a correct record; and
- (2) for future meetings, details of progress with actions arising from the minutes be included on the agenda.

33 ACTION PLAN ARISING FROM INTERNAL AUDIT REPORT INTO WASTE TRANSFER STATION (LYME GREEN)

The Committee considered progress in implementing the action plan approved at the previous meeting.

The action plan addressed the findings of the internal review to ensure that learning points were fully embedded across the Council as a whole. The Summary action plan attached at Appendix A to the report highlighted that the majority of the agreed actions had been fully implemented and that those with timescales for delivery over the next few months were on target.

With regard to Action C6, it was suggested that the action wording was ambiguous and should be reviewed. With regard to Action C10, it was noted that whilst the specific action had been completed, this would not necessarily reflect the final cost of Lyme Green to the Council.

At the previous meeting, the Committee had asked that Action C5 relating to the monitoring of project costs be amended to provide for its consideration by the relevant Policy Development Group (Minute 17). The officers clarified that the Action would be *offered* to the relevant PDG for consideration.

It was noted that many of the actions within the action plan would be ongoing and that in the circumstances it would be appropriate for the relevant scrutiny committee to be asked to undertake a monitoring role. The Audit and Governance Committee's work would be complete once it was satisfied that appropriate governance arrangements, systems and procedures were in place, for instance with regard to programme and project management and approval of capital schemes. However, it was

recognised that the Audit and Governance Committee had a continuing important overview monitoring and assurance role to ensure that there was proper overall corporate governance and audit as demonstrated in relation to the Lyme Green project.

The Interim Chief Executive commented that there was now a need to restore public trust and confidence in Cheshire East Council. With this in mind, he was preparing a report to Cabinet summarising the findings arising from the confidential report of the Dedicated Independent Person (DIP), and proposing sweeping changes to management roles and responsibilities in order to address cultural and behavioural aspects of the organisation. Officers were also looking at whether there were any governance issues arising from the DIP's report.

RESOLVED

That

- (1) the progress in implementing the action plan be noted;
- (2) an update report on programme and project management be submitted to the next meeting; and
- (3) the Committee consider any further updates on programme and project management.

34 ANNUAL GOVERNANCE REPORT ACTION PLAN - PROGRESS REPORT AND ANNUAL AUDIT LETTER 2011/12

The Committee considered progress with the Annual Governance Report Action Plan as set out at Appendix 3 to the report.

The Annual Governance Report had been presented by the Audit Commission to the Audit and Governance Committee on 27th September 2012. The Council had been issued with a partially qualified opinion on its provision of value for money. The Auditors had concluded that the Council had adequate arrangements for securing economy, efficiency and effectiveness except for weaknesses in its arrangements to develop business proposals and manage significant projects. The AGR had included four recommendations intended to improve the Council's arrangements to secure value for money.

In response to the recommendations, a detailed action plan had been approved by Cabinet on 10th December 2012 and reported to Council on 13th December, together with the Audit Commission Annual Audit Letter. The Letter had provided recognition of the progress already made by the Council in securing value for money this financial year and the strategic and ambitious direction of travel for the future, through a new vision for Cheshire East.

The Interim Chief Executive advised the Committee that the Action Plan contained a set of quite revolutionary changes to the way the Council had operated previously.

RESOLVED

That

- (1) the AGR Action Plan and the positive endorsement on its progress as acknowledged in the Annual Audit Letter be noted; and
- (2) the further improvements put in place to date against the AGR Action Plan be noted.

35 RISK MANAGEMENT UPDATE REPORT

The Committee considered an update report from the Performance and Risk Manager.

It had been agreed that a risk and opportunity workshop be undertaken with Cabinet and the Corporate Management Team in February/March to review the key corporate risks to achieving the Council's objectives and to update the key corporate risk register. It was likely that a number of key risk themes would emerge from the workshop, some of which were highlighted in the report.

At the previous meeting, the Committee had considered the key corporate risk around Financial Control. This risk had since been updated and a summary of the changes was provided in the report.

For this meeting, the Committee had requested a briefing on key corporate risk 15 – Reputation. The current version of the risk stewardship template for this risk was circulated at the meeting. The Interim Chief Executive commented that public opinion surveys showed an inconsistency in the public's views about the Council. Those close to a particular service tended to rate it favourably while criticizing the Council as a whole. While both levels of opinion were important, personal experience of services was generally the most important satisfaction indicator.

RESOLVED

That

- (1) the update report on risk management be noted; and
- (2) a further suitable corporate risk be identified at the next meeting for detailed consideration.

36 EXTERNAL AUDIT UPDATE & AUDIT FEE LETTER 2012/13

The Committee considered the Annual Audit Fee Letter which was attached as Appendix A to the report.

Grant Thornton had been appointed as the Council's external auditors in 2012 following a nationally co-ordinated competitive tendering process.

The Audit Commission had set its proposed work programme and scales of fees for 2012/13. The Council's scale fee for 2012/13 was £205,050, which compared to the audit scale fee of £341,750 for 2011/12, a reduction of 40%.

The Audit Letter also set out the audit planning timetable for the coming year. It was noted that a report on financial resilience would be considered later in the year and that a report on local governance review would be submitted to the next meeting.

The Committee also received a presentation on the new audit arrangements from Judith Tench, Engagement Lead at Grant Thornton. This set out the background and context for the new public sector audit landscape, as well as what had already changed, what would change and what would remain the same. In general, the audit process would feel similar to the previous one but Grant Thornton would add value through wider skill sets and sector experience. Finally, at Members' request, the process and methodology for determining the value for money conclusion was briefly outlined.

RESOLVED

That

- (1) the Annual Audit Fee Letter be noted;
- (2) the presentation from Grant Thornton on the new audit arrangements be received; and
- (3) it be noted that a report on local governance review will be submitted to the next meeting.

37 2012/13 STATEMENT OF ACCOUNTS - PROGRESS REPORT

The Committee considered an update on the preparation of the Statement of Accounts for 2012/13.

The Annual Audit Letter for 2011/12 had reported that the Council had significantly improved its closure of accounts process. The accounts presented for audit had contained no material errors and far fewer other errors than in previous years. Supporting audit trails and working papers were also much better.

The next step would be to consider how the audit support process could be organised to shorten the time taken to undertake the audit. Officers were having regular discussions with Grant Thornton on how best to support the audit process. A Final Accounts Workshop was to be provided by CIPFA Finance Advisory Network and Grant Thornton in February and two members of staff were due to attend.

At the Closure Review meeting, a number of issues had been highlighted to be addressed during 2012/13 as set out in the report.

RESOLVED

That the progress with preparations for producing year end accounts be noted.

38 ANNUAL GOVERNANCE STATEMENT (AGS) - 2012/13 PROCESS AND UPDATE ON 2011/12 ACTION PLAN

The Committee considered a proposed process for the production of the 2012/13 Annual Governance Statement as set out in Appendix A to the report, and an update on progress against the 2011/12 AGS Action Plan as set out in Appendix B.

CIPFA/SOLACE had recently published a revised guidance note, "Delivering Good Governance in Local Government: Guidance Note for English Authorities (2012 Edition)", intended to be used as best practice for authorities in reviewing the effectiveness of their governance arrangements. This would be reviewed and used by the Corporate Governance Group in planning and producing the Annual Governance Statement.

RESOLVED

That

(1) the process for the production of the 2012/13 Annual Governance Statement be endorsed; and

(2) the progress against the 2011/12 AGS Action Plan be noted.

39 TREASURY MANAGEMENT STRATEGY AND MRP STATEMENT 2013/14

The Committee considered the proposed 2013/14 Treasury Management Strategy Statement, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2013/16, as required under Part 1 of the Local Government Act 2003.

The Treasury Management Strategy would also be reported to Cabinet before being presented to Council for approval on 28th February 2013.

A comprehensive review of the capital programme had been undertaken in 2012/13 with the intention of making substantial savings and focussing on initiatives with the highest priority. The key aim had been to realign capital expenditure with corporate priorities; cap the cost of financing the capital programme by reducing the need for future borrowing; create financial and non-financial capacity to enable new schemes to come forward; and reassess business cases, particularly for investment projects.

A balance sheet efficiency review had also been undertaken with the Council's treasury advisors, Arlingclose, to establish the most cost-effective method of financing the capital programme and make adequate provision for the repayment of debt in future years. The methodology for applying capital receipts to finance capital expenditure had also been considered as part of the review.

Within the Treasury Management Strategy, the Council would continue to minimise borrowing by making use of internal balances.

RESOLVED

That the Treasury Management Strategy and Minimum Revenue Provision Statement for 2013/14 as set out in Appendix A to the report be noted.

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

The Committee considered an update on how Cheshire East Council fulfilled its obligations under Data Protection and Freedom of Information legislation. The report highlighted volumes of requests, trends and current and future issues.

During 2012, a significant amount of training had been delivered and a large number of improvements had been made to policies and processes. In addition, an Information Assurance Framework had been produced and published on the intranet.

RESOLVED

That the arrangements in place to ensure compliance with the legislation be noted.

41 ANNUAL REPORT OF CORPORATE COMPLAINTS AND LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW FOR THE YEAR ENDED 31ST MARCH 2012

The Committee considered a summary of the complaints received by Cheshire East Council and those dealt with by the Local Government Ombudsman about Cheshire East Council for the period 1st April 2011 to 31st March 2012.

RESOLVED

That the report be noted.

42 INTERNAL AUDIT INTERIM REPORT 2012/13

The Committee considered progress against the Internal Audit Plan 2012/13, revisions to the plan and a summary of the work during the second and third quarters of 2012/13.

It was noted that there was still a vacancy for the Head of Internal Audit but that it was appropriate to await the outcome of the current management review.

RESOLVED

That the issues identified in the report be noted, and the approach to achieving adequate audit coverage in the remainder of 2012/13 be endorsed.

43 WORK PLAN 2012/13

The Committee considered an updated Work Plan.

The Committee was asked to note that the Public Sector Internal Audit Standards came into effect on 1st April 2013. CIPFA would provide guidance on the application of the new standards in the form of the Local Government Application Note (due in March 2013). It was therefore the intention to carry out a review of the current Internal Audit Terms of Reference and Internal Audit Strategy against the standards and guidance with a view to bringing a report to the Committee in June 2013.

RESOLVED

That

(1) the changes to the Work Plan since the last meeting be noted;

(2) the Work Plan be amended as follows:

- (a) as agreed earlier in the meeting, references to Lyme Green Action Plan be deleted from future meetings;
- (b) the following be added to the agenda for the meeting in March 2013:
 - Project Management Progress Report
 - Single Legal Entity
 - Training for Standards Assessments and Hearings
- (3) it be noted that the Work Plan will be re-submitted to the Committee periodically for further development and approval.

The meeting commenced at 2.00 pm and concluded at 4.59 pm

Councillor J Hammond (Chairman)