

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 27th June, 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, S Hogben, A Kolker, D Marren, M J Simon,  
W Livesley and B Murphy

### **Councillors in attendance:**

Councillor B Moran.

### **Officers in attendance:**

Suki Binjal – Interim Head of Legal Services and Monitoring Officer  
Lorraine Butcher – Executive Director of Strategic Commissioning  
Joanne Butler – Performance and Risk Manager  
Chris Mann – Finance Manager  
Rachel Musson – Interim Chief Operating Officer  
Liz Rimmer – Benefits Manager  
Jon Robinson – Internal Audit  
Sandra Smith – Customer Relations and Compliance Manager  
Neil Taylor – Internal Audit  
Joanne Wilcox – Corporate Finance Lead  
Cherry Foreman – Democratic Services

### **External Auditor – Grant Thornton**

Steven Nixon and Judith Tench

## **1 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors M Hardy and L Roberts.

## **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public present.

## **4 MINUTES OF PREVIOUS MEETING**

### **RESOLVED**

That the minutes of the meeting held on 28 March 2013 be approved as a correct record.

## **5 INTERNAL AUDIT ANNUAL REPORT 2012/13**

Consideration was given to this report on the overall adequacy and effectiveness of the Council's control environment for 2012/13, produced in accordance with the Code of Practice for Internal Audit in Local Government. The report of the Internal Auditors included a detailed summary of the audit work carried out during the year and the relative outputs from that work.

With reference to the review of Whistleblowing arrangements, which had concluded that the Council's arrangements remained in line with best practice, some members expressed concern at the confidentiality clause associated with compromise agreements as it was thought that it could prevent officers from being able to speak out on matters of concern. The Monitoring Officer advised that this was appropriate standard practice in Authorities. It was reported that further work on this remained to be done, and it was already included in the work plan for the coming year; in addition the Chief Operating Officer agreed to discuss the concerns further with the appropriate Human Resources Officer or Member Group.

### **RESOLVED**

1. That the contents of the Internal Auditors report for 2012/13 be noted.
2. That the Chief Operating Officer refer the concerns of the Committee regarding the application of a confidentiality clause in compromise agreements to the appropriate Human Resources Officer or Member Group.

## **6 DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13**

Consideration was given to the draft Annual Governance Statement for 2012/13. In accordance with best practice it had been brought to the Committee for information and comment with the final version being considered in September.

The review of governance arrangements had been informed by the work of Internal and External Audit and a number of other review agencies and inspectorates. Members drew attention to points raised with respect to data quality in licensing, silo working, and to high level recommendations from the External Auditor; it was reported that all these matters had been addressed by such innovations as the Project Management Framework, an improved Business Planning Process, the setting of the three year plan and review and improvement of the Councils Performance Management Framework.

In addition Members referred to the culture of the organisation post Lyme Green and ways in which, where necessary, further changes and improvements could be brought about. The Committee was informed that

a number of projects were already ongoing in this area and the Chief Operating Officer agreed that she would investigate where this might best be incorporated and report back to the Committee accordingly.

## **RESOLVED**

1. That the draft Annual Governance Statement, attached as an Appendix to the report, be noted, and that the final version be considered by the Committee in September 2013.
2. That the Chief Operating Officer report back to the Committee on the most appropriate forum to measure and monitor improvement of organisational culture.

## **7 DRAFT STATEMENT OF ACCOUNTS 2012/13**

Members were asked to consider the key issues within the draft Statement of Accounts for 2012/13 which are now subject to external audit and would require final approval before the deadline of 30 September. It was noted that this was the third year of reporting under International Financial Reporting Standards and the Statements were now more closely tailored to the Council's reporting requirements. This involved close working with the Council's External Auditors Grant Thornton.

The report detailed issues raised within each of the financial statements – Income and Expenditure Account, Movement in Reserves Statement and the overall balance sheet. Members asked for the improved final outturn position to be noted and thanked the Officers concerned for their work in this regard.

It was agreed that further information on earmarked reserves and the schools balances would be forwarded to Members.

## **RESOLVED**

That the key issues within the draft Statement of Accounts for 2012/13 be noted.

## **8 ANNUAL REPORT ON RISK MANAGEMENT**

Consideration was given to the Annual Report of the Corporate Risk Management Group, and also to minor changes to the Risk Management Policy. The Group had met on a number of occasions throughout the year to consider and discuss the Council's key corporate risks, to ensure they were addressed consistently across the Council, and to monitor the implementation of actions to mitigate risks to acceptable levels.

In accordance with an earlier request of the Committee the Executive Director of Strategic Commissioning attended the meeting to brief

Members on the risks and controls in respect of Corporate Risk 11 (the Commissioning and Service Delivery Chain).

Following discussion of risk in general the Committee requested that the section in all written reports relating to risk be expanded to include the allocation of a measurement/score; it was agreed that the most appropriate way of doing this be considered further by the Corporate Risk Management Group, and that the Chairman, the Executive Director of Strategic Commissioning and Councillor Marren be included.

#### **RESOLVED**

1. That the Annual Report of the Corporate Risk Management Group be noted.
2. That written reports include the allocation of a measurement/score of risk, and that further consideration of the most appropriate method way of doing this be considered further by the Corporate Risk Management Group, and that the Chairman, the Executive Director of Strategic Commissioning and Councillor Marren be included.
3. That the minor changes to the Risk Management Policy, attached as Appendix A to the report, be endorsed and submitted to the Cabinet for approval.

#### **9 AUDIT COMMITTEE UPDATE**

The External Auditors, Grant Thornton, provided an update on progress in delivering their responsibilities. Steven Nixon was introduced as the replacement for Andrea Castling and he introduced progress on the audit work plan.

It was agreed that further detailed financial information around the questions on emerging issues and developments would be circulated to Members direct.

#### **RESOLVED**

That the report be noted.

#### **10 PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AUDIT CHARTER - UPDATE**

Consideration was given to the new Public Sector Internal Audit Standard (PSIAS), which came into effect on 1 April 2013, including the implications and further actions necessary to meet compliance with the PSIAS. Particular attention was drawn to the development of an Audit Charter, organisational dependence, and the terms 'Board' and 'Senior

Management' which needed to be interpreted in the context of governance arrangements within Cheshire East.

## **RESOLVED**

1. That the introduction of the new Public Sector Internal Audit Standards (PSIAS) be noted.
2. That the implications and further actions necessary to meet compliance with the new Standards be noted, including the development of the Audit Charter, and that further updates will be brought to the Committee accordingly.

## **11 COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

Consideration was given to a proposed response to be sent from the Chairman to the External Auditors, Grant Thornton, on the way in which the Committee gains assurance over the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation.

Grant Thornton had asked specific questions with regard to carrying out an assessment of the risk that the financial statements may be materially misstated due to fraud or error, identifying and responding to risks of breaches of internal control, identifying and responding to risks of fraud in the organisation and communicating to employees views on appropriate business and ethical behaviour. They also wanted to understand how the Committee gains assurance that all relevant laws and regulations have been complied with.

## **RESOLVED**

That the contents of the report, and that it will form the basis of the written response to the Councils External Auditors by the Chairman of the Audit and Governance Committee, be noted.

## **12 COMPLIANCE WITH REGULATION OF INVESTIGATORY POWERS ACT 2000**

Following an inspection by the Office of Surveillance Commissioners consideration was now given to a report on their findings on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA). The report from the Inspectors was very positive with only a few recommendations as to how standards could be improved.

## **RESOLVED**

That the findings of the Inspection Report be noted.

### **13 WORK PLAN 2013/14**

Consideration was given to the Work Plan for 2013/14. An amended Plan, which rescheduled the work to utilise a provisional meeting date in November, was circulated at the meeting. It was agreed that in view of the overall workload, and various statutory deadlines that needed to be met, that this date was now needed.

In considering the Plan it was requested that as part of compliance monitoring there should be a Member led 'Cardiff Review' of six procurement invoices. The Monitoring Officer commented on possible data protection implications of such checks and said she would need to be satisfied appropriate controls were in place. The External Auditor commented that such checks had not been carried out recently by any of the Audit Committees she attended and she needed to understand the reasons behind them given the number of checks already carried out in this area by both the External and Internal Auditors. It was also questioned whether testing a small sample of invoices would provide any real assurance and, therefore, whether it was worth the resource required. It was agreed that the matter be discussed further with the relevant Member/Officer Group, to include Councillor D Marren and the Monitoring officer, and be reported back to the Committee in due course.

It was confirmed that training for Standards Committees was already in the Plan and that there would be a report back to the Committee on the culture of the Council (Minute no 6 refers). The External Audit Plan 2012/13 scheduled for November in the revised Plan, was moved back to January on the advice of the External Auditor.

### **RESOLVED**

That the Work Plan and the amendments detailed above be noted, and further reports be brought back to the Committee on the suitability of further work being undertaken on procurement invoicing, and on the culture of the organisation

### **14 COUNCILLOR J HAMMOND - LAST MEETING AS CHAIRMAN**

Councillor J Hammond reported that this was his last meeting as Chairman of the Committee as he was going to be involved in other areas of work. He had been a member of the Committee since its inception in 2010 and Chairman since 2011 and he thanked Members and Officers alike for all they had done to develop the work of the Committee. The Committee reciprocated and wished him well in his new duties.

The meeting commenced at 2.00 pm and concluded at 4.50 pm  
Councillor J Hammond (Chairman)