

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Friday, 27th September, 2013 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

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

Councillors in attendance:

Councillor B Moran
Councillor P Raynes

Officers in attendance:

Joanne Butler – Performance and Risk Manager
Chris Mann – Finance Manager
Rachel Musson – Interim Chief Operating Officer
Iolanda Puzio – Legal Team Manager Children, Families & Adults
Brian Reed, Head of Governance and Democratic Services
Jon Robinson – Internal Audit
Joanne Wilcox – Corporate Finance Lead
Rachel Graves – Democratic Services

External Auditor – Grant Thornton

Stephen Nixon
Judith Tench

15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor L Roberts.

16 DECLARATIONS OF INTEREST

There were no declarations of interest.

17 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public present.

18 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 27 June 2013 be approved as a correct record, subject to the following amendment:

Item 6 – Draft Annual Governance Statement 2012-13

Resolution (2) to be amended to read “That the Chief Operating Officer report back to the Committee on the most appropriate forum to measure and monitor improvement of the culture of the organisation.”

19 AUDIT FINDINGS REPORT 2012/13 - GRANT THORNTON

The Audit Findings Report summarised the Council's External Auditors findings from the 2012/13 audit and covered two elements: the audit of the Council's financial statements, and an assessment of the Council's arrangements to achieve value for money in the use of resources. The report identified the key issues they had considered prior to issuing their opinion on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in the use of resources.

Judith Tench and Steven Nixon (Grant Thornton) were in attendance and spoke to the report, highlighting key issues.

The Auditor's were highly complementary about the Council's response to the majority of issues raised by the report.

A revised Audit Opinion (Appendix 2) was circulated at the meeting as the Auditors had reassessed the Value for Money conclusion, which had resulted in the removal of the paragraph:

“As a result of the issues identified during our work, the Council was unable to demonstrate that it was prioritising resources within budgets – in a planned way – and achieving sustainable cost reductions alongside greater efficiencies and improved productivity,”

RESOLVED: That

- 1 the Audit Findings Report for 2012/13 be received and noted; and
- 2 approval be given for the letter of representation to be signed by the Interim Chief Operating Officer.

20 FINANCIAL RESILIENCE - GRANT THORNTON REVIEW OF THE COUNCIL'S ARRANGEMENTS

Consideration was given to the Council's External Auditors report on the Review of the Council's Arrangements for Securing Financial Resilience.

As part of their work to inform their Value for Money assessment, the External Auditors reviewed whether the Council had proper arrangements in place to secure financial resilience. The review considered whether the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled the Council to continue to operate for a foreseeable future.

Judith Tench and Steven Nixon (Grant Thornton) were in attendance and spoke to the report, highlighting key issues.

RESOLVED

That the Financial Resilience Report for 2012/13 be received.

21 STATEMENT OF ACCOUNTS (AUDITED) 2012/13

The Committee considered the Statement of Accounts 2012-13.

Following the completion of the statutory audit, and in accordance with the Accounts and Audit Regulations 2011, the Statement of Accounts was presented to the Committee for approval prior to publication.

As a result of the audit and the Council's own scrutiny of its Accounts a number of amendments had been identified and reflected in the final versions of the Statement, copies of which were provided for Members at the meeting.

The final version of the Statement of Accounts would be published on the Cheshire East website before the statutory deadline of 30 September and a more accessible version of the information would be made available in the form of a Summary Statement of Accounts.

The Auditors praised the Council's Finance Team for an improved year end and a more efficient and effective closedown. This was echoed by members of the Committee.

RESOLVED

That the Statement of Accounts be approved and accepted as presenting a true and fair view of the Council's expenditure and income for the year, and of its overall position.

22 ANNUAL GOVERNANCE STATEMENT 2012/13

Consideration was given to the Annual Governance Statement for 2012/13.

The Council was required to prepare and publish an Annual Governance Statement (AGS) to meet the statutory requirements set out in Regulation 4 of the Accounts and Audit Regulations.

The AGS had been amended to take account of Members' comments from the June meeting of the Committee and from a Members workshop and also to address feedback received in the interim period from Members and officers.

Once finalised the AGS would 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.

Regular updates on progress of the AGS Action Plan would be brought to the Committee during 2013/14.

It was suggested that the Statement be amended on page 11 – 6th bullet point - the reference to “The first of these reports is scheduled for the September 2013 meeting” be deleted as there was no report regarding the number and outcome of complaints on the meeting’s agenda.

RESOLVED

That the Annual Governance Statement for 2012/13 be approved.

23 PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AUDIT CHARTER

The Committee considered a draft Internal Audit Charter, which was proposed to form the basis of the Cheshire East Internal Audit Charter.

The Public Sector Internal Audit Standards state that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter. The Charter established Internal Audit’s position within the organisation, including the nature of functional and administrative reporting, authorised access to records, personnel and physical properties relevant to the performance of engagements, and defined the scope of Internal Audit activities.

The proposed Internal Audit Charter was based on the Institute of Internal Auditors Model Internal Audit Activity Charter.

The finalised Internal Audit Charter would be presented to Committee in November 2013 for final approval.

RESOLVED: That

- (1) the report be noted; and
- (2) the draft Internal Audit Charter form the basis of the Cheshire East Internal Audit Charter to be finalised for approval by the Committee at its meeting in November 2013.

24 TREASURY MANAGEMENT UPDATE

In accordance with the CIPFA Code of Practice for Treasury Management in the Public Services, and the Prudential Code for Capital Finance in Local Authorities, consideration was given to the treasury management activity for the period April – July 2013 and to the Annual Report for 2011/12.

The report covered the Council’s treasury year end position, forecast prospects for interest rates, interest rate outturn, compliance with treasury limits, the Council’s borrowing and investment strategies, economic events and prudential indicators.

RESOLVED:

That the update on treasury management activity for the period April – July 2013 and the Annual Report for 2011/12 be noted.

25 RISK MANAGEMENT UPDATE

Consideration was given to a summary of risk management work undertaken since the last meeting of the Committee.

A summary of the Council's Key Corporate Risks was attached at Appendix A, which included a description of the risk, the net risk rating for the risks scored to date, and a commentary of any risks that changed.

The Corporate Risk Management Group in August 2013 had discussed and reviewed the risk ratings for the CR3 – Strategic Leadership and Management, CR9 – Workforce, CR11 – Commissioning and Service Delivery Chains, and CR13 – New Responsibilities for Public Health and Wellbeing.

The Committee received feedback on other risk work including project management, business unit risks, insurance and business continuity.

The Committee was asked to identify an area of risk to receive a briefing on at the next meeting. From the three suggested, it was agreed that CR9 – Workforce would be considered.

RESOLVED: That

- (1) the report on Risk Management be noted: and
- (2) CR9 - Workforce, be identified as the risk for consideration at the next meeting of the Committee.

26 COMPLIANCE WITH CONTRACT PROCEDURE RULES

Consideration was given to a report which gave details on the operation of the procedure for Delegated Decisions to waive Contract Procedure Rules, and non-compliances with Contract Procedure Rules.

Following concerns during 2011/12 regarding the content and timeliness of delegated decisions to waive Finance and Contract Procedure Rules, a revised procedure had been adopted in May 2012; this had subsequently been amended again in January and May of this year.

It was reported that in July an internal audit review of the operation and use of Delegated Decisions and Non-Compliances had been carried out, and the findings were detailed in the report. As a result of the review a number of improvements to the process had been agreed with senior managers.

RESOLVED: That

- (1) the revisions to the procedures since September 2012 be noted;
- (2) the update on Delegated Decisions and Non-Compliances since September 2012 be noted; and

- (3) it be noted that further reports on the process, and its robustness will be brought to the Committee as part of the regular monitoring of the Annual Governance Statement Act Plan.

27 WORK PLAN 2013/14

Consideration was given to the Work Plan for 2013/14, which had been updated to include the changes discussed at the June 2013 meeting.

The Committee was concerned about the delay of the report on the way forward for the Standards process, which had been expected to be presented today but understood that it had been deferred to allow the new Head of Legal and Monitoring Officer to become involved in the review of the process. It was agreed that a working group would be set up, with the membership of the Councillors J Wray, L Brown, M Hardy and S Hogben to progress the review.

An item for the Work Plan was proposed by Councillor S Corcoran and seconded by Councillor S Hogben as follows:-

"That the Work Plan should include an annual review of Lyme Green, with the addition of Resolutions 3 and 4 from the decision of the Audit and Governance Committee meeting held in June 2012."

The motion was put to the vote and lost.

Councillor Corcoran requested that the motion be recorded in the minutes and also how the Committee voted, which was agreed.

Vote

For: Councillors S Corcoran, R Fletcher and S Hogben

Against: Councillors L Brown, A Kolker and J Wray

Abstained: Councillor M Hardy

Casting Vote: Against - Councillor J Wray

RESOLVED: That

- (1) the amendments to the Work Plan be noted;
- (2) Risk CR9 – Workforce be added to the Work Plan as the risk for consideration at the September 2013 meeting.
- (3) the Plan will be periodically brought back to the Committee for development and approval.

The meeting commenced at 10.04 am and concluded at 12.35 pm

Councillor J Wray (Chairman)