

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 28th November 2013
Report of: Chief Operating Officer
Subject/Title: 2012/13 Audit Findings and Action Plan
Portfolio Holder: Cllr. Peter Raynes / Cllr. Barry Moran / Cllr. David Brown

1.0 Report Summary

- 1.1 This report sets out the management response to the 2012/13 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee on 28th September. Specific improvement actions are proposed to address the auditors' recommendations and target dates for implementation are also provided.

2.0 Recommendation

- 2.1 Members are asked to note and endorse the management responses and action plan set out in Appendix 1.

3.0 Reasons for Recommendations

- 3.1 The external auditors are required under the Audit Commission's Code of Practice to report whether, in their opinion, the Council's financial statements present a 'true and fair view' of the financial position for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They are also required to reach a conclusion on the whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- 3.2 In arriving at their opinion and conclusion for 2012/13, the auditors have made a number of specific recommendations for improvement, which the Council will need to address in order to sustain the positive progress already made, and acknowledged by the auditors. This will further strengthen its financial reporting, stewardship and governance arrangements.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including – Carbon Reduction, Health

- 6.1 There are no specific policy implications arising from the recommendations in this report

7.0 Financial Implications

- 7.1 It anticipated that any cost implications arising from the recommendations in this report will be contained within existing budgets.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 There are no specific legal implications arising from the recommendations in this report.

9.0 Risk Management

- 9.1 Failure to satisfactorily address the audit findings and recommendations from 2012/13 may expose the Council to further audit qualification in the current and future financial years, with consequent reputational damage, and the possibility of increased audit fees. The management responses set out in Appendix 1 are intended to avoid this outcome, improve overall financial stewardship and therefore mitigate this risk.

10.0 Background and Options

- 10.1 The Council's auditors, Grant Thornton presented their annual audit findings report to the Audit & Governance Committee on 28th September. These findings, along with the accompanying Financial Resilience Report, formed the basis of their audit opinion on the financial statements, and value for money conclusion.
- 10.2 Grant Thornton provided an unqualified opinion on the accounts, and concluded that the Council's arrangements for securing value for money were adequate, except for weaknesses in its:-
- Arrangements for procuring goods and services
 - Understanding of costs and performance
 - Arrangements for developing business proposals and managing significant projects.
- 10.3 The auditors set out some specific recommendations for improvements which are set out in Appendix 1. These recommendations cover three main areas:-
- Statutory Accounts – 3 MEDIUM priority recommendations
 - IT Controls – 4 LOW priority recommendations
 - Value for Money – 7 HIGH priority recommendations.

- 10.4 In developing responses to these recommendations, managers have paid due regard to the need for actions proposed to be robust, realistically deliverable within the agreed timescales and also proportionate, taking into account the level of priority. It is also important that these actions complement and build on the substantial progress that has already been made, and is referred to throughout the Audit Findings Report and also in the Annual Audit Letter, where with regard to Value for Money arrangements, the auditor has commented that :-

‘Overall, the Council made significant improvements to its arrangements during the course of the year and ended in a much better position than it started. It delivered the 2012/13 budget and achieved a small surplus. Further improvements have been made since April 2013. The Council now has better information and processes to help it set out how it is prioritising resources and to demonstrate efficiency and improved productivity.’

- 10.5 Other specific improvements referenced by the auditors include:-

- Improved financial planning and control arrangements, including revised budget setting and Medium Term Financial Planning processes
- Introduction of a Financial Resilience Update report, to support Member decision making and help create a sustainable financial environment for the Council
- Significant progress to enable transparent decision making subject to appropriate risk management, challenge, scrutiny and review.
- Review and improvement of the council’s performance management framework
- Engagement of external consultants to undertake a health check of procurement activity and support transformation of current processes
- New gateway process for managing major projects and capital budgets
- Updated guidance and monitoring over the use of delegated decision notices.

The management responses to the specific recommendations made by Grant Thornton are presented in Appendix 1. These actions will embed, sustain and complement the range of positive developments that have already taken place within the Authority. The main objective is to ensure continuous, targeted improvements to the overall financial governance and stewardship of the organisation in these difficult and austere times.

Given the very difficult financial environment that Local Government is operating in, it should be noted that the current financial health of Cheshire East is relatively strong. In most key areas the Authority is continuing to provide a very good level of service off a significantly lower cost base than in previous years. It is equally clear that the fiscal challenges will get even more

difficult in the future and the importance of strong strategic financial management and resilience will be essential.

11.0 Access to Information

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

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