

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 30th January, 2014 in 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, D Marren,
M J Simon and B Murphy.

Councillors in attendance:

Councillors K Edwards, B Moran and P Raynes.

Officers in attendance:

Peter Bates – Chief Operating Officer
Suki Binjal – Interim Head of Legal Services
Joanne Butler – Performance and Risk Manager
Julie Davies – HR Strategy and Policy Manager
Jon Robinson – Audit Manager
Neil Taylor – Audit Manager
Judith Tench – Head of Corporate Resources and Stewardship
Jo Wilcox – Corporate Finance Lead

External Auditor (Grant Thornton)

Steven Nixon and Allison Rhodes.

42 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor L Roberts.

43 DECLARATIONS OF INTEREST

Councillors A Kolker and M Hardy declared personal interests by virtue of being members of the Board of Everybody, the Councils Leisure Trust.

Councillor D Marren declared a personal interest by virtue of being a member of the Board of Orbitas (Bereavement Services).

Councillor S Hogben declared a personal interest by virtue of being a member of the board of ANSA (Waste Management Services).

Councillor R Fletcher declared a personal interest by virtue of his daughter being employed by the Information Commissioner's Office.

44 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

45 MINUTES OF PREVIOUS MEETING

The minutes were considered and Councillor M Simon asked to be added that she had voted against the motion in minute 34 (Audit Findings and Action Plan) as it was outside the remit of the Committee.

RESOLVED

That the minutes of the meeting be approved subject to the addition of Councillor M Simon to minute 34 as detailed above.

46 EXTERNAL AUDIT UPDATE REPORT

Consideration was given to the report of Grant Thornton, the Councils External Auditors, on progress in delivering their responsibilities. The report was introduced by Allison Rhodes, the new Audit Manager for Grant Thornton, who had replaced Stephen Nixon. Following the appointment of Judith Tench as Head of Corporate Resources and Stewardship a new audit team had been appointed from the Midlands Region and this included John Roberts (Lead Partner), Allison Rhodes (Audit Manager) and Naomi Povey (Executive); this had been put in place to safeguard the independence of the firm and the auditor.

Discussion ensued on value for money, Government changes to the Business Rate Retention Scheme, and benchmarking and how it would be applied to the Council's new Alternative Service Delivery Vehicles; with regard to this last point the Committee was informed that Grant Thornton had recently published a number of case studies which might be of interest.

RESOLVED

That the report be noted.

47 EXTERNAL AUDIT CERTIFICATION REPORT 2012/13

Consideration was given to the report of Grant Thornton which summarised the key findings identified during their certification process for 2012/13 for claims and returns.

Particular note was made of the fact that the Council had received an unqualified letter from the Auditors and no significant findings had been identified in relation to the management arrangements and the certification of individual grant claims and returns. The Chief Operating Officer agreed to pass on the thanks of the Committee to all the staff involved in this excellent work.

RESOLVED

That the report be noted.

48 INTERNAL AUDIT INTERIM REPORT 2013/14

The Committee considered a report on progress against the Internal Audit Plan 2013/14, revisions to it, and a summary of the work carried out in its third quarter.

The Council is responsible for establishing and maintaining appropriate risk managements processes, control systems, accounting records and governance arrangements and one of the roles of Internal Audit is to ensure these arrangements are in place and operating properly. At the end of the first half of the year key work areas for Internal Audit had been agreed as being Alternative Service Delivery Vehicles, and Programme and Project Management – project health checks, with Risk Management project health checks and a review of officer and member disclosures to be carried out in the final quarter.

In a discussion regarding the recent Highways Maintenance audit report, and with regard to monitoring the standard of work of the ASDV's, it was reported that reference would be made to source documentation and to the validation of performance indicator results. In addition, members were keen that the use of local suppliers and local workforce be monitored and it was reported that if this had been included as a clause in the contract then it would be checked as part of the robust monitoring procedures.

The performance indicators applicable to internal audit were outlined and it was suggested that a useful measure would be the comparison of Cheshire East's costs with other authorities. It was also suggested that a further useful indicator would be the implementation of audit recommendations within agreed timescales.

RESOLVED

That the report and the comments of the Committee be noted.

49 TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2014/15

Consideration was given to the 2014/15 Treasury Management Strategy Statement, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy, and the Prudential and Treasury Indicators 2014/17. In accordance with the CIPFA Code of Practice on Treasury Management these needed to be agreed and the main changes were shown in paragraphs 10.3 and 10.4 of the report.

RESOLVED

That Council be recommended to approve the Treasury Management Strategy and the Minimum Reserve Position Statements as set out in the report.

50 COMPLIANCE WITH THE DATA PROTECTION ACT (1988), FREEDOM OF INFORMATION ACT (2000), AND ENVIRONMENTAL INFORMATION REGULATIONS 2004

The Committee received an update on how the Council fulfilled its obligations under Data Protections and Freedom of Information legislation; in addition details were given of the volume of requests, trends, current and future issues.

It was reported that the number of requests were increasing year on year; the Council had, however, recently stated its commitment to being open, honest and accountable and the Transparency Project had been launched which it was anticipated would reduce the number of requests being made.

RESOLVED

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

51 REVIEW OF NEW CIPFA GUIDANCE ON AUDIT COMMITTEES

In order to support the Committee in performing effectively it was reported that new guidance had been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in *Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)*; the report included CIPFA's position statement and both the current Terms of Reference and those now suggested by CIPFA. Previous guidance dated from 2005.

It was reported that the revised Terms of Reference of the Committee were being looked at by the Constitution Committee as this area of work fell within its remit. Whilst it was understood that this was the case a number of Members were keen to be more directly involved in the review process. Councillors D Marren and B Murphy, Chairman and Vice-Chairman respectively of the Working Group set up by the Constitution Committee to look at the Terms of Reference, confirmed that this request could be accommodated.

RESOLVED

1. That the report on the view of CIPFA on the role and functions of an audit committee be noted.

2. That it be noted that this report will be shared with the Constitution Working Group which was reviewing the Audit and Governance Committee's Terms of Reference as part of its Work Programme.
3. That, in accordance with the Constitution, it be noted that final approval for amendments to the Terms of Reference of the Audit and Governance Committee will be approved by Council following reference to, and recommendation from, the Constitution Committee.
4. That it be noted that a report on the self assessment of the effectiveness of the Audit and Governance Committee using the latest guidance would be submitted to the Committee for consideration in March 2014.
5. That, as requested, arrangements be made for representatives from this Committee to participate in the review of Terms and Conditions currently being carried out by the Working Group set up by the Constitution Committee.

52 RISK MANAGEMENT UPDATE REPORT

Consideration was given to a summary of risk management carried out since the last meeting. As part of its duties it was the responsibility of the Committee to provide an oversight of the effectiveness and embedding of risk management processes, and to test and seek assurance about the effectiveness of control and governance arrangements. The update provided the Committee with a summary of recent activity in order to make this assessment.

In addition, and as agreed at its meeting in September, Julie Davies (HR Strategy and Policy Manager) attended to discuss the issue of risk around Corporate Risk 9 (Workforce) which was perceived as being high. She explained the measures in place to support staff in the changes taking place, and measures to be introduced in the future, to take into account the new ASDV's and changes such as the introduction of performance related pay.

The Committee had also previously asked for further information on insurance arrangements for Members and the report detailed the various insurance covers; it was further reported that a new category of insurance for Councillors involved with ASDV's was to be introduced.

In considering Appendix A (Corporate Risk Summary) the Committee asked for further information to come to the next meeting of the Committee on Risk CR20 – Contract and Relationship Management.

RESOLVED

1. That the update report on risk management be noted.

2. That further information on Corporate Risk CR20 be reported to the next meeting of the Committee.

53 PROPOSED GOVERNANCE, STEWARDSHIP AND CONTROL ARRANGEMENTS FOR ALTERNATIVE SERVICE DELIVERY VEHICLES

The Chief Operating Officer submitted a report on the proposed governance, stewardship and control arrangements for the Council's Alternative Service Delivery Vehicles (ASDV's). The key and corporate risks associated with ASDV's were set out in the report; others being managed around governance and stewardship arrangements included training for Members appointed as Non-Executive Directors of the new vehicles.

In considering the proposed governance arrangements, attached as Appendix A to the report, it was agreed that the title of the document be amended and that the word 'Arrangement' be changed to 'Principles'. The proposed arrangements encompassed matters around the contract, the shareholder, the shareholder committee and audit; of these the contract was considered to be especially important particularly for the Leisure Trust and it was reported that, as they were developed, contracts would be peer reviewed by an independent/large firm.

Members were particularly interested in the role of the Audit and Governance Committee in future governance arrangements, and also the role and interaction of Members and the Councils Executive in the process as a whole. Whilst it was recognised that the terms of the reference of the Committee would be changing it was reported that proposed governance arrangements incorporated all interested parties as follows:

"The proposed approach to the ASDV's is one of 'safety first' and the overall governance framework of the Council is being reviewed to ensure arrangements are robust and fit for purpose at the outset. Maintaining accountability to service users, citizens and local members following the introduction of ASDV's is vital and the arrangements introduced must ensure this and will therefore remain under regular review."

A lengthy discussion ensued on the role of the shareholder committee, articles of association, service contracts and performance management agreements; Members requested a further report and it was agreed that this be submitted to the next meeting of the Committee.

RESOLVED

1. That the Committee note the arrangements set out in Appendix A and that an update report be submitted to the next meeting of the Committee.

2. That the title of Appendix A be amended to replace the word 'Arrangements' with 'Principles'.

54 WORK PLAN 2013/14

Consideration was given to the Committees Work Plan for 2013/14. It was agreed that the recommendation from the last item (Proposed Governance, Stewardship and Control Arrangements for Alternative Service Delivery Vehicle's) be added to the items to be considered at the next meeting.

RESOLVED

That the Work Plan be approved subject to the above mentioned addition.

The meeting commenced at 2.00 pm and concluded at 5.30 pm

Councillor J Wray (Chairman)