

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 27th March, 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 and B Murphy (as a substitute).

## **Councillors in attendance:**

Councillors K Edwards, P Hoyland, B Moran, P Raynes and A Thwaite.

## **Officers in attendance:**

Anita Bradley – Head of Legal Services and Monitoring Officer  
Lorraine Butcher – Executive Director of Strategic Commissioning  
Joanne Butler – Performance and Risk Management  
Julie Gibbs – Senior Compliance and Data Protection Officer  
Jon Robinson – Audit Manager  
Neil Taylor - Audit Manager  
Judith Tench – Head of Corporate Resources and Stewardship  
Alex Thompson – Corporate Manager Planning and Performance  
Cherry Foreman – Democratic Services Officer

## **External Auditor (Grant Thornton)**

Allison Rhodes and Jon Roberts

## **55 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor L Roberts.

## **56 DECLARATIONS OF INTEREST**

With reference to agenda item 13 (Alternative Service Delivery Vehicles Governance and Stewardship) Councillor M Hardy declared a personal interest by virtue of being a member of the Board of Everybody Sport and Recreation, the Council's Leisure Trust. Councillor S Hogben declared a personal interest by virtue of being a member of the board of ANSA (Waste Management Services) and Councillor D Marren declared a personal interest by virtue of being a member of the Board of Orbitas (Bereavement Services).

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

No members of the public were present.

## **58 MINUTES OF PREVIOUS MEETING**

In considering the minutes the Committee was informed that an addition was to be made to Minute 45 (Internal Audit Interim Report 2013/14) to confirm that at

the meeting it had been agreed to introduce a performance indicator to monitor the implementation of audit recommendations within agreed timescales. Also, in recommendation 1 of Minute no 53 (Proposed Governance, Stewardship and Control Arrangements for Alternative Service Delivery Vehicles) the word 'arrangements' was changed to 'principles' to reflect the change made at the meeting to the title of Appendix A.

#### **RESOLVED**

That the minutes be approved subject to the amendments detailed above.

### **59 INFORMING THE RISK ASSESSMENT FOR CHESHIRE EAST COUNCIL**

This report was introduced by Jon Roberts of the External Auditors, Grant Thornton, who noted that it was the first time the information had been presented to the Committee in this format. In order to comply with International Standards on Auditing (UK and Ireland) it was necessary to have an understanding of management processes and also of the Committee's oversight in the areas of fraud, laws and regulations, going concern, accounting estimates and related party transactions. A number of questions relevant to these areas had, therefore, been posed and the Committee was asked to consider whether the management response given was consistent with its own understanding and also if there were any comments it wished to make.

Members asked a number of questions with regard to fraud and risk management and were informed that the Corporate Risk Management Group had recently combined the indicators for bribery, fraud and corruption; the risk assessment form was to be updated and circulated for use and the Committee would be advised if any trends became apparent. It was reported that a new programme of member development was currently being planned.

#### **RESOLVED**

That it be confirmed that the management response to the questions posed by the External Auditor are consistent with the understanding of the Committee.

### **60 EXTERNAL AUDIT PLAN 2013/14**

Allison Rhodes of Grant Thornton introduced the External Audit Plan for the year ending March 2014. The plan set out the work to be carried out as part of the statutory audit on the Council's financial statements and arrangements for securing value for money (VFM). The annual work programme was set in accordance with the Code of Audit Practice issued by the Audit Commission. Its findings would be issued prior to approval of the financial statements and would contain the key issues arising from the audit together with an explanation of how they had been resolved.

Members asked a number of questions in respect of financial reporting, the Better Care Fund, risk of fraudulent transactions, operating expenses and accounting for welfare benefits. The breadth of work included within the audit of VFM was discussed and it was reported that the establishment of the Council's Alternative Service Delivery Vehicles would be included in this area of work. The audit would also include the partnership working between the Council and the NHS.

## **RESOLVED**

That the report be noted.

### **61 EXTERNAL AUDIT - EMERGING ISSUES UPDATE**

Allison Rhodes of Grant Thornton presented their report on emerging national issues and developments. The report included a number of questions for consideration by the Committee in order to assess whether it had sought sufficient and appropriate assurance in order to fulfil its governance responsibilities.

One of the questions posed related to the implications of the Local Audit and Accountability Act, which had received Royal Assent on 30 January 2014, and the implications for the Councils future external audit arrangements. It was reported that the Local Government Association was to have transitional powers pending replacement arrangements being finalised. In response to concern at the uncertainty over whether or not existing contracts could be extended Members were advised that it was expected that guidance would be received in time for this not to be a problem.

It was noted that currently 'emerging issues' are considered and discussed by the relevant Member/Officer Group with reporting to the full Audit and Governance Committee by exception only. In response to a question concerning the remit of the Committee's existing Member/Officer Groups the current memberships were confirmed and a copy has been placed on the website with these minutes.

## **RESOLVED**

That the report be noted and that in future similar reports will be brought to the Committee for information, with an oral update from Officers where necessary; in addition a short report will be submitted to the next meeting of the Committee setting out how future 'emerging issue' reports will be dealt with by the Council.

### **62 INTERNAL AUDIT PLAN 2014/15**

In accordance with Public Sector Internal Audit Standards the Committee was asked to consider the Summary Internal Audit Plan 2014/15. The plan had been prepared by the Head of Internal Audit (currently the two Audit Managers) in consultation with senior management. A more detailed plan would be developed in the first quarter of 2014/15 so as to take into account outcomes of the service planning process, and further consultation with management on critical systems and processes in delivering the Council's key priorities. Other factors would include confirmation of the specific requirements for internal audit of the Alternative Service Delivery Vehicles (ASDV's) and also resource availability.

In considering work associated with the ASDV's a question was asked regarding to whom the work would be charged. The Committee was advised that the majority of audit work within the plan would be for the Council and would be looking at the client arrangements with the ASDV's. However, separately, certain ASDV's might want Internal Audit to carry out audit work directly for them; these discussions were ongoing, including what was required by the new ASDV's, and the outcomes would be reported back to Members in due course.

## **RESOLVED**

1. That the approach to internal audit planning be endorsed and that the Summary Internal Audit Plan 2014/15, shown as Appendix A to the report, be approved.
2. That it be noted that a more detailed Internal Audit Plan will be developed and produced in the first quarter of 2014/15, and discussed and agreed with the relevant Member/Officer Group.

## **63 RISK MANAGEMENT UPDATE REPORT**

As part of the Committee's work in overseeing risk management processes, and the effectiveness of control and governance arrangements, consideration was given to a summary of risk management work undertaken since the last meeting. Risk identification, assessment and management were considered to be integral to the work of the Council in delivering its 3 year plan, involving as it did consideration of both existing and new threats.

In order to focus on the most important areas of risk the report detailed the four highest rated corporate risks, four areas of medium risk, two of dying risk and a new/emerging risk; an appendix to the report provided greater detail on each.

In addition, and in accordance with the request made by the Committee at its last meeting, Lorraine Butcher (Executive Director of Strategic Commissioning) attended the meeting in respect of Corporate Risk 20 (Contract and Relationship Management); the risk template for which had been updated and was attached to the report. Members discussed the importance of contracts being clear and robust, the ways in which the public would be able to feed into the Alternative Service Delivery Vehicle process through, for example, Citizens Engagement Panels and satisfaction surveys, the Council's performance management arrangements, and via the contact of Members with their local residents. Whilst the risk of ASDV's was graded as high at present it was anticipated that this would reduce quickly as it was largely the same Officers and Members that were involved, but with greater levels of control and performance indicators in place than before.

With reference to the highest rated corporate risks it was agreed that CR15 (Protection of Children and Young People) be explored further at the next meeting.

## **RESOLVED**

1. That the update report be received.
2. That further information on Corporate Risk CR15 be reported to the next meeting of the Committee.

## **64 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000 AND PROTECTION OF FREEDOMS ACT 2012**

Consideration was given to a report on compliance with the Regulation of Investigatory Powers Act (2000) (RIPA), and on the number of applications authorised during 2013/14.

As using RIPA powers could conflict with an individual's human rights it was important that certain conditions were met in each case that it was used. By following the authorisation procedures set out Officers demonstrated that the surveillance was a necessary and proportionate measure to take. It was reported that the Office of Surveillance Commissioners had last inspected the Council's use and compliance with the legislation in May 2013 and their report had been very positive.

#### **RESOLVED**

That the report be noted and it be agreed that the current arrangements in place ensure that the Council complies with the legislation.

### **65 CONTRACT PROCEDURE RULES - WAIVERS**

The Committee considered a report on waivers to Contract Procedure Rules. A summary of the waivers for the period July to December 2013 was given, along with a comparison against the figures for the previous reporting period. It was also reported that a revised procedure had been introduced to further simplify the process but also to make it both more efficient and appropriate.

Whilst appreciating the information contained in the report Members queried whether the report was fulfilling the requirements of Contract Procedure Rule E11 which stated that 'non-compliance' instances would be reported to the Committee. It was confirmed that what was now being reported to the Committee was consistent with previous reports, although the process and terminology had changed over time. The next report to Committee would identify the number of non-compliances within the overall total figure of waivers processed. In addition any non-compliances identified by sample/spot checks by the Procurement or Internal Audit Teams would also be reported to Committee.

#### **RESOLVED**

1. That the update on waivers of Contract Procedure Rules since September 2013 be noted.
2. That it be noted that procedures in this area have been revised since the last report to the Committee in September 2013, and that the Finance and Contract Procedure Rules are currently being reviewed as part of a wider review of the Constitution.
3. That the next report to Committee identify the number of non-compliances within the overall total figure of waivers processed, and that any other non-compliances identified will also be reported to the Committee as appropriate.

### **66 MEMBERS' CODE OF CONDUCT: STANDARDS PANELS AND SUB-COMMITTEE ANNUAL REPORT**

Consideration was given to a report of the Head of Legal Services and Monitoring Officer on the numbers and outcomes of complaints received under the Code of Conduct for Members. The report related to complaints considered by the

Committee's Initial Assessment Panel, the Local Resolution Panel, and the Hearing Sub Committee, and covered the period from April 2013 to date.

The numbers of complaints received against either a member of Cheshire East Council, or a member of a Parish/Town Council, were detailed along with the outcome where investigations had been concluded. Figures in respect of cases still in progress were also given.

Members referred to a review of standards training, and of the complaints process, on which work had been put on hold pending the appointment of the permanent Head of Legal Services and Monitoring Officer. The Committee was advised that the review would now be carried out as speedily as possible with the assistance of the Members appointed to the Working Group established for that purpose, namely Councillors J Wray, L Brown, M Hardy and S Hogben. In addition, it was agreed that Councillor D Marren be included in his capacity as a Member of both this and the Constitution Committee. It was further agreed that the findings of the review be submitted to the next meeting of the Committee with a view to being submitted to the Council at its meeting in July.

#### **RESOLVED**

1. That the report be noted.
2. That the review of standards training, and of the process for dealing with complaints under the Code of Conduct for Members, be carried out as soon as possible, that the findings be submitted to the next meeting of the Committee and that Councillor D Marren be added to the membership of the Standards Working Group.

#### **67 ALTERNATIVE SERVICE DELIVERY VEHICLES GOVERNANCE AND STEWARDSHIP**

The Audit and Governance Committee was requested to endorse the arrangements set out in the report in respect of the governance structures under which Cheshire East Ltd and its subsidiary companies would operate, and of the governance arrangements for Alternative Service Delivery Vehicles (ASDV's). It was noted that the Cabinet had considered and approved the arrangements at its meeting on 24 March 2014. An updated copy of the ASDV reporting lines, included within the Cabinet report of 24 March was circulated.

It was reported that the new approach required robust corporate leadership, innovation and a clear focus on identifying and prioritising local needs. The Council's overriding principles for the governance, stewardship and control arrangements were that they be resident and business led, and that they ensured accountability to residents, service users, businesses and local Councillors. It was intended that these principles would be reviewed regularly and that the Audit and Governance Committee would have the opportunity to review the assurance framework to ensure it remained satisfied with the arrangements.

The Committee was advised that the Leader of the Council had agreed that two All Member Briefings would be held in the immediate future.

## **RESOLVED**

That the arrangements set out in the report, and in Appendices A and B, be endorsed, and that the Committee confirms it will take the opportunity to review the assurance framework to ensure it remains satisfied with the arrangements.

## **68 AUDIT AND GOVERNANCE COMMITTEE SELF ASSESSMENT**

Consideration was given to the results of the self assessment of the Committees effectiveness carried out with the Chairman and the Vice-Chairman. The assessment forms part of the overall Annual Governance Statement process, agreed by the Committee in November 2013, and is carried out against the CIPFA publication *Audit Committees – Practical Guidance for Local Authorities and Police 2013*, specifically, the sections relating to Self Assessment of Good Practice and Evaluating the Effectiveness of the Audit Committee.

The recent publication of the guidance was reflected in a number of the questions having been assessed as 'partly'. It was reported that these would change to 'yes' once the actions identified had been implemented.

## **RESOLVED**

1. That the results of the self assessment be noted and that the detailed outcome of the review of the system of internal audit will be considered by the Committee as part of the Annual Governance Statement approval process.
2. That the actions arising from the self assessment be endorsed and a further report giving an update on the progress of these actions be submitted to a future meeting of the Committee.

## **69 WORK PLAN 2014/15**

Consideration was given to the Work Plan and it was confirmed that the Standards Review Report would be presented to the next meeting of the Committee. With regard to the Plan for 2014/15 Members were advised that further discussion in the specialist Member/Officer Groups is necessary in order to draft out a full Work Programme for 2014/15.

## **RESOLVED**

That the Work Plan be approved.

The meeting commenced at 2.00 pm and concluded at 5.25 pm

Councillor J Wray (Chairman)