



# **Audit and Governance Committee**

## **Annual Report 2013/14**

## Introduction by the Chair of the Audit and Governance Committee



I am pleased to present the third Annual Report of the Audit and Governance Committee, which describes the Committee's activity over the municipal year to May 2014.

I hope that this Annual Report helps to demonstrate both to the Council and the wider community in general, the important role that is performed by the Audit and Governance Committee and the particular contribution that it makes to the Council's overall governance and control arrangements.

This year has seen a strengthening of governance arrangements within the Council; with positive and improved levels of assurance reported recently to the Committee by External Audit, through the Annual Governance Statement and the Internal Audit Annual Opinion.

As the Council's new Alternative Service Delivery Vehicles (ASDVs) develop, the Committee has and continues to play an important role in ensuring appropriate governance arrangements have been introduced and continue to operate.

It has been pleasing to see the Council's senior leadership team is now in place and established with permanent

appointments, including the Chief Operating Officer, the Head of Legal Services and Monitoring Officer and the Head of Corporate Resources and Stewardship.

During the year, the new CIPFA guidance on Audit Committees was introduced and we have carried out a self-assessment on our Committee with positive initial results. Some areas for improvement have been identified and an action plan developed. A training session for Members of the Committee was held recently, and an assessment against the core knowledge and skills framework is planned. This will be developed further during 2014/15 to help inform the training programme for the Committee.

During the year a major review (by a working group of the Committee) was undertaken to assess the arrangements for considering Member Code of Conduct Complaints procedures. It's very pleasing to note that revised and improved arrangements have now been introduced. These will be reviewed annually to ensure they continue to be fit for purpose and I would like to thank all those who contributed to the new procedures.

Finally, we have recently reviewed and updated the Committee's Terms of Reference. The updated Terms based on recent CIPFA guidance were approved by Council in May 2014 and I'm confident these will assist the Committee in continuing its key governance role as we move through 2014/15 and beyond.

***Councillor John Wray***  
**Chair of the Audit and Governance Committee**  
**September 2014**

### Role of the Audit and Governance Committee

Audit Committees are an essential element of good governance. Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an Audit Committee, independent from the executive and scrutiny functions.

Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

### Statement of Purpose of the Audit and Governance Committee

- 1 The Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- 3 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 4 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 5 It promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

### Governance, Risk and Control within Cheshire East Council

The review of the effectiveness of the governance framework concluded that arrangements continue to be regarded as fit for purpose. (Annual Governance Statement 2013/14)

The Audit and Governance Committee has had a positive impact on improving the governance, risk and control framework and arrangements of the Council during the year, including the following:

- Approving the Council's Statement of Accounts.
- Approving the Council's Annual Governance Statement.
- Approving the Council's updated Code of Corporate Governance.
- Endorsing the governance arrangements for the Council's new Alternative Service Delivery Vehicles.
- Reporting to Council on the Committee's performance for the year.
- Undertaking a self-assessment of the Committee against new CIPFA guidance.
- Reviewing standards training and the process for dealing with complaints under the Code of Conduct for Members.

In addition, the Committee has also received assurances during the year from a variety of sources, including:

- **Financial Statements Opinion (External Audit):** *"It is pleasing to report that we anticipate that we will provide the Council with an unqualified opinion, in line with the reporting timescale required under the Accounts and Audit (England) Regulations 2011."* (September 2014)
- **Value for Money Conclusion (External Audit):** *"Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified vfm conclusion. This is an improvement from the previous year's qualified vfm conclusion and the Council is to be commended for the improvements made to its arrangements during the year."* (September 2014)
- **Internal Audit:** *"The Council's framework of risk management, control and governance is assessed as adequate for 2013/14"* (June 2014)
- **Risk Management:** *"The work of the Corporate Risk Management Group over the year has assisted and demonstrated improvements to the Council's risk management framework, such that it has moved further towards a risk maturity of risk defined, but there are further developments to be made to progress the level of risk maturity of the Council"* (June 2014)

### Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The [2013/14 self-assessment](#) was carried out with the Chair and Vice Chair against the new CIPFA guidance, *Audit Committees – Practical Guidance for Local Authorities and Police 2013* and the results reported to the Committee in March 2014. The Committee assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented.

The Committee's [revised Terms of Reference](#), based on the new CIPFA guidance were approved by Council in May 2014. The Committee's 2014/15 Work Plan has been updated and amended in line with the new Terms of Reference to ensure that the Committee continues to work effectively and fulfil its purpose.

The External Auditors Value for Money report findings include: "The Audit and Governance Committee provide adequate challenge but there is scope to improve the focus of its discussions to provide more effective oversight, support and challenge for the Council's financial management and system of internal control". The Chief Operating Officer will continue to work with the Chair/Vice Chair and established Member/Officer Groups to: develop the role of the Committee; further develop the approach to agenda planning; provide and appropriate focus for debate; and implement the improvement actions agreed in response to the effectiveness self-assessment.

### Outline of the Work of the Committee

This annual report sets out the work of the Committee during 2013/14, including:

- How the Terms of Reference\* have been met (see pages 6 to 8)
- How the Committee has added value/outcomes (see pages 9 to 10)

\* Terms of Reference in place for majority of 2013/14. New Terms of Reference were approved by Council in May 2014.

### Members of the Committee

Members of the Committee during 2013/14 are set out on pages 11 to 12.

### Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out a number of statutory requirements such as approving the Financial Statements and approving the AGS. It has also ensured that it is up to date in adopting new guidance and/or recommended practice, including:

- Adopting new Terms of Reference, based on new CIPFA guidance.
- Approving the Internal Audit Charter, based on new Public Sector Internal Audit Standards.
- Undertaking a self-assessment of the Committee, based on new CIPFA guidance.

### Training and Development

The following training was carried out during the year:

- Induction for new Members of the Committee
- Statement of Accounts
- Annual Governance Statement

Members of the Committee have also attended external briefings/courses. During 2013/14, the Vice Chair attended the CIPFA *Developing the Audit Committee* event in February 2014.

The Member/Officer Groups continued to meet through 2013/14. The groups enable individual Members to become more involved in specific areas of audit and governance

work as a means of developing in-depth knowledge and expertise, and cover the following areas:

- Audit
- Financial Statements
- Fraud Management
- Governance
- Risk Management

In addition, Members continued to receive copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit & Governance Committee Members.

As part of the Committee's self-assessment (reported to the Committee in March 2014), it was recognised that membership of the Committee needed to be assessed against the core knowledge and skills framework included in the new CIPFA guidance on Audit Committees. A training session in early September 2014 has already been held with a further session covering the knowledge and skills framework planned in November 2014. This will be developed further during 2014/15 to help inform the training programme for the Audit and Governance Committee.

### Agendas and Minutes

There were five meetings of the Committee during the year:

- [27<sup>th</sup> June 2013](#)
- [27<sup>th</sup> September 2013](#)
- [28<sup>th</sup> November 2013](#)
- [30<sup>th</sup> January 2014](#)
- [27<sup>th</sup> March 2014](#)

### Looking Forward to 2014/15

The Committee has an agreed work programme for 2014/15, which includes the many annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas. This work programme is regularly reviewed to ensure that the Committee continues to work effectively and fulfil its purpose.

Also included within the work programme for 2014/15:

- Approval of the new arrangements for dealing with the standards allegations under the Localism Act 2011.
- Approval of amendments to the Whistleblowing Policy.
- Update on the progress of the actions arising from the Committee's 2013/14 self-assessment.
- Review of the governance arrangements for ASDVs.
- Training and development

## Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
<b>Annual Report</b>	
Submitting an Annual Report to the Council.	The Committee approved its second annual report, covering the 2012/13 municipal year, at the November 2013 meeting and this report was submitted to Council in December 2013.
<b>Audit</b>	
Overseeing the Council's role and responsibilities in respect of Audit.	<p><i>Internal Audit:</i> The Committee approved the overall strategy and annual programme of audits (March 2014) and monitored progress against the plan (November 2013 &amp; January 2014).</p> <p><i>External Audit:</i> The Committee received and considered the work of the External Auditor (all meetings, 2013/14).</p>
Supporting the Council's audit function, both internal and external.	See above.
Considering the Head of Internal Audit's Annual Report and opinion and a summary of internal audit activity and the level of assurance over corporate governance arrangements.	<p>The Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2013.</p> <p><b>Note:</b> <i>The 2013/14 Annual Report was presented to the Committee in June 2014.</i></p>
Receiving the Internal Audit Plan and summary reports on performance against the plan.	Internal Audit interim reports against the 2013/14 plan were received in November 2013 and January 2014, with the 2013/14 Internal Audit Plan received in March 2014.
<b>Corporate Governance &amp; Annual Governance Statement</b>	
Overseeing the Council's role and responsibilities in respect of Corporate Governance.	<p>The Committee received and approved the Annual Governance Statement (September 2013), received an update on progress against the 2012/13 AGS Action Plan (November 2013) and endorsed the process for the production of the 2013/14 AGS (November 2013).</p> <p><b>Note:</b> <i>The draft 2013/14 AGS was brought to Committee in June 2014 with the final version to be approved at the September 2014 meeting.</i></p>
Developing a Code of Corporate Governance and to undertake as appropriate an assessment of wider governance issues.	The Committee received and approved an update to the Code of Corporate Governance and also received an update on the Corporate Governance Group's ongoing work on the Governance Framework (both November 2013).

## Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
Reviewing and approving the Annual Governance Statement.	The Annual Governance Statement 2012/13 was approved at Committee in September 2013.
<b>Financial Statements</b>	
Supporting the Chief Financial Officer in relation to the performance of their duties.	Reports on the Statement of Accounts, including progress and audit thereof were presented at June 2013, September 2013 and November 2013 Committee meetings.
Approving any Council Statement of Accounts as may be required by the relevant Account and Audit Regulations.	The Statement of Accounts 2012/13 was approved at Committee in September 2013.
Considering External Audit and other external agencies reports to those charged with governance as a source of assurance.	The 2012/13 Audit Findings Report and Review of the Council's Arrangements for Securing Financial Resilience was presented to Committee in September 2013 by the External Auditor. The 2012/13 Annual Audit Letter was reported to the Committee in November 2013. The management response to the 2012/13 Audit Findings Report was considered at the November 2013 meeting.
<b>Fraud Management</b>	
Ensuring the Council has in place appropriate policies and mechanisms to safeguard the Council's resources.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013. A report on Compliance with International Standards on Auditing was received by the Committee in March 2014.
Reviewing and making recommendations upon the Whistleblowing arrangements process.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013. A report on Compliance with International Standards on Auditing was received by the Committee in March 2014.
Ensuring that the Council maintains a robust counter fraud culture via the implementation of an Anti-Fraud and Corruption Policy and Strategy.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013.
Seeking assurance that Customer Complaint arrangements are robust.	Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 2012/13 presented to Committee in November 2013.



## Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
<b>Risk Management</b>	
Ensuring any Council's Risk Management arrangements are operating effectively.	The Committee receives regular update reports on Risk Management (September 2013, January 2014 and March 2014). In June 2013, the Committee noted the 2012/13 Annual Report of the Corporate Risk Management Group and endorsed changes to the Risk Management Policy.
Where necessary, overseeing and agreeing the arrangements for Members to be indemnified for and insured against risks and liabilities arising from the performance of their duties as Members of the Council, and as the Council's representatives on outside bodies.	General updates on insurance are reported to the Corporate Risk Management Group as part of their remit to review and monitor risks in relation to specific area needs as and when required e.g. Climate Change, Health and Safety, Insurance and the National Fraud Initiative (NFI). A summary of the key points from the insurance updates are included in the Risk Management Update reports to the Committee. Any specific issues relating to Members' indemnity are reported where necessary.
<b>Standards</b>	
Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).	An annual report recording decisions relating to complaints was submitted to the Committee on 27 March 2014. Audit & Governance Committee Members have attended Complaints Hearings through the year. Operation of the complaints procedure was monitored during 2013/2014 in preparation for a report to Committee in June 2014.
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year.
Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.	There have been no requests for individual dispensations during 2013/14.

## Audit and Governance Committee – How the Committee has added value/outcomes in 2013/14

27 <sup>th</sup> June 2013	27 <sup>th</sup> September 2013	28 <sup>th</sup> November 2013	30 <sup>th</sup> January 2014	27 <sup>th</sup> March 2014
Noted the contents of the report on Compliance with International Auditing Standards.	Considered the draft Internal Audit Charter.	Approved the Committee's Annual Report for submission to Council.	Noted the External Audit update.	Noted the report on the numbers and outcomes of complaints under the Code of Conduct for Members.
Considered draft 2012/13 Annual Governance Statement.	Received the External Audit Financial Resilience Report for 2012/13.	Noted the External Auditors' 2012/13 Annual Audit Letter.	Noted the External Audit Certification Report 2012/13.	Noted the External Audit Plan for 2013/14.
Noted the External Audit update.	Approved the 2012/13 Statement of Accounts.	Noted the External Audit update.	Noted the Interim Internal Audit Report.	Noted the External Audit 'emerging issues' report.
Considered key issues within the 2012/13 draft Statement of Accounts.	Approved the 2012/13 Annual Governance Statement.	Considered the management response to the 2012/13 Audit Findings Report.	Recommended for Council to approve the Treasury Management Strategy and the Minimum Reserve Position Statements.	Approved the Internal Audit Plan for 2014/15 and endorsed the approach to internal audit planning.
Noted the 2012/13 Annual Report of the Corporate Risk Management Group and endorsed changes to the Risk Management Policy.	Noted the External Audit Findings Report for 2012/13 and approved the letter of representation to be signed.	Approved update to the Code of Corporate Governance. Noted ongoing work on the Council's Governance Framework and progress in implementing the 2012/13 AGS Action Plan. Endorsed the process for the production of the 2013/14 AGS.	Noted the report on, and the arrangements in place to ensure compliance with, the Data Protection Act, Freedom of Information Act and Environmental Information Regulations.	Noted the report on Compliance with RIPA and Protection of Freedoms Act and agreed that the current arrangements in place ensure that the Council complies with the legislation.
Noted the introduction of	Noted the 2012/13	Noted the Interim Internal	Noted the new CIPFA	Confirmed the

## Audit and Governance Committee – How the Committee has added value/outcomes in 2013/14

27 <sup>th</sup> June 2013	27 <sup>th</sup> September 2013	28 <sup>th</sup> November 2013	30 <sup>th</sup> January 2014	27 <sup>th</sup> March 2014
the new Public Sector Internal Audit Standards and further actions necessary e.g. development of Audit Charter.	Treasury Management Annual Report and update for the period April – July 2013.	Audit Report and endorsed the approach to achieving adequate audit coverage in the remainder of 2013/14.	guidance on Audit Committees and that the Constitution Working Group was reviewing the Audit & Governance Committee's Terms of Reference.	management response to External Audit's 'Informing the Risk Assessment for Cheshire East', in compliance with International Standards on Auditing.
Noted the Internal Audit Annual Report for 2012/13.	Noted the Risk Management update.	Approved the Internal Audit Charter.	Noted the Risk Management update.	Noted the Risk Management update.
Noted the findings on the Council's use of the Regulation of Investigatory Powers Act (RIPA).	Noted the update on Delegated Decisions and Non Compliances including the revision to procedures.	Noted the update on Anti-Fraud and Corruption arrangements.	Noted the proposed governance, stewardship and control principles for Alternative Service Delivery Vehicles (ASDVs).	Noted the update on waivers of Contract Procedure Rules and revised procedures in this area.
		Noted the 2012/13 Annual Report of Corporate Complaints and the Local Government Ombudsman's 2012/13 Annual Review.		Endorsed the governance arrangements for ASDVs and confirmed that the Committee will review the assurance framework to ensure it remains satisfied with the arrangements.
				Noted the results of the Audit & Governance Committee Self-Assessment and endorsed the actions arising.

## Audit and Governance Committee Members 2013/14



### **Councillor John Wray (Chair)**

Councillor Wray has been an elected member of Cheshire East Council since its beginning in April 2009. He joined the Audit and Governance Committee as Chair following the Council meeting on 18<sup>th</sup> July 2013.



### **Councillor Louise Brown (Vice-Chair)**

Councillor Brown became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee as the Vice-Chair from the 2012/13 municipal year onwards.



### **Councillor Sam Corcoran**

Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.



### **Councillor Rod Fletcher**

Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Audit and Governance Committee since May 2011.



### **Councillor Martin Hardy**

Councillor Hardy has been an elected member of Cheshire East Council since its beginning in April 2009. He has served on the Audit and Governance Committee since its inception in June 2010 and was Vice-Chair from May 2011 to January 2012.



### **Councillor Steven Hogben**

Councillor Hogben became an elected member of Cheshire East Council in June 2011 and after attending as a substitute in June 2011, he served on the Audit and Governance Committee from September 2011 until May 2014.

## Audit and Governance Committee Members 2013/14



### **Councillor Andrew Kolker**

Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.



### **Councillor David Marren**

Councillor Marren became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then, being Vice-Chair from January 2012 until the end of the 2011/12 municipal year.



### **Councillor Lloyd Roberts**

Councillor Roberts became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee from the start of the 2012/13 municipal year.



### **Councillor Margaret Simon**

Councillor Simon has been an elected member of Cheshire East Council since its beginning in April 2009. She has served on the Audit and Governance Committee since its inception in June 2010 and was Chair for the 2010/11 year.



### **Councillor John Hammond**

Councillor Hammond served on the Audit and Governance Committee since its inception in June 2010 and became the Chair in May 2011. Councillor Hammond stepped down from the Committee following the Council meeting on 18<sup>th</sup> July 2013 and was replaced as Chair by Councillor John Wray.