

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 7th December, 2017 in Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)
Councillor M Sewart (Vice-Chairman)

Councillors S Corcoran, T Dean, R Fletcher, L Gilbert, N Mannion, G Merry and
J Nicholas (Substitute)

Independent Co-opted Member

Phillip Gardener

Members in attendance

Councillor L Durham

Officers in attendance

Kath O'Dwyer – Acting Chief Executive
Joanne Butler – Business Governance and Risk Manager
Josie Griffiths – Principal Auditor
Sean Hannaby – Director of Planning and Sustainable Development
Deborah Nickson – Legal Team Manager
Alex Thompson – Head of Finance and Performance
Michael Todd – Principal Auditor
Joanne Wilcox – Finance Lead Corporate
Cherry Foreman – Democratic Services Officer

External Auditors (Grant Thornton)

Jon Roberts and Allison Rhodes

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor A Stott.

32 DECLARATIONS OF INTEREST

There were no declarations of interest.

33 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

34 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 28 September 2017 be approved as a correct record.

35 GRANT THORNTON - ANNUAL AUDIT LETTER 2016/17

Jon Roberts of Grant Thornton presented the Annual Audit Letter for the year ended 2017 the detailed findings of which had been reported to the Committee at its last meeting. In considering value for money they were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for weaknesses in arrangements for acting in the public interest which had been identified during the year by the Council's Internal Audit Service; as a result they had qualified their value for money conclusion.

The Committee was advised that Grant Thornton could not formally conclude the audit and issue an audit certificate for 2016/17 until they had completed their consideration of an objection brought to their attention by a local authority elector under Section 27 of the Act, and also until the Council had completed its internal disciplinary investigations into a number of its Chief Officers.

RESOLVED

That the report be received and noted.

36 CERTIFICATION REPORT 2016/17

The Committee considered the Certification letter for the Housing Benefits Subsidy Claim for 2016/17. In addition the Committee was advised that the Council was required to obtain a reasonable assurance report on their annual Teachers Pension; this had been received and completed in accordance with the deadline. The respective fees for each were also reported.

RESOLVED

That the report be received.

37 ANNUAL GOVERNANCE STATEMENT UPDATE

The Committee considered an update on the Annual Governance Statement (AGS) the aim of which was to provide assurance that it was underpinned by an appropriate framework of assurance and to allow the Committee to monitor the implementation of actions to improve governance arrangements and respond to emerging issues.

Progress against items reported in the AGS 2016/17 was set out in a detailed appendix and included consideration of whether the required action had been completed appropriately, whether the issues were being sufficiently and effectively managed or whether there were further issues or concerns arising. Members sought clarification on a range of matters in the appendix and the received further assurance and confirmation of progress made.

In addition the proposed production process for the 2017/18 AGS was set out. This took into account the requirements of the updated CIPFA/SOLACE guidance *the Delivering Good Governance in Local Government* Framework, and against the Council's Code of Corporate Governance.

RESOLVED

That

1. progress and feedback provided on the issues reported in the 2016/17 AGS be noted and endorsed, including the recommendation to the Committee on whether items remain on the Annual Governance Statement ; and
2. the process for the production of the 2017/18 AGS be noted and endorsed.

38 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2018/19

This report updated members on the Council's Treasury Management Strategy for 2018/19, it being an important element in the overall financial health and resilience of Cheshire East Council. The Strategy focussed on the management of the Council's investment and cash flows; its banking, money market and capital market transactions and the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Committee was advised that changes to the Strategy would need to be made during 2018/19 in response to a revised Treasury Management Code of Practice due to be published by CIPFA; in the meantime it had been based on existing requirements.

The key elements of the strategy were set out along with an explanation of the major external influences, the effect of the domestic economy and of interest rates.

RESOLVED

That the proposed Treasury Management Strategy and the Minimum Reserves Provision Statement for 2018/19, set out in Appendix A of the report, be received.

39 INTERNAL AUDIT INTERIM REPORT 2017/18 AND INTERNAL AUDIT CHARTER

(Councillor S Corcoran arrived during consideration of this item)

Consideration was given to an interim report on emerging issues across the whole range of areas to be covered in the Annual Report due in June 2018. It included a summary of audit work carried out to date such as issues judged relevant to the preparation of the Annual Governance Statement; comparison of the work undertaken with that planned; comments on compliance with internal audit standards and communication of the results of the internal audit quality assurance programme.

A summary comparison of the 2017/18 Audit Plan with actuals for the half year, and comments on variances, was set out in the report. During the first half year audit work had been undertaken on the whole of the control environment comprising risk management, key control and governance processes using a mix of risk based auditing, regularity, investigations and the provision of advice to officers. Members received answers to questions in respect of workload and

effect of ongoing fraud investigations, the implementation of agreed recommendations, assurance reports, and Internal Audit performance indicators and staffing levels.

In addition an updated Audit Charter was submitted as a requirement was that it be reviewed at a minimum of annually; it had been updated to comply with a revised definition of internal auditing and newly introduced 'Mission of Internal Auditing' in the updated Public Sector Internal Audit Standards, and to reflect operational changes in reporting lines to emphasise the organisational independence of Internal Audit and its relationships with senior management and Members.

RESOLVED

1. That the issues identified be noted, and the approach to achieving adequate audit coverage in the remainder of 2017/18 be endorsed.
2. That approval be given to the updated Internal Audit Charter, set out in Appendix B of the report.

40 WORK PLAN 2017/18

The Committee considered the Work Plan for the remainder of this Municipal Year. Where items were as yet unallocated Members were given further updates and guidance on expected time scales of the matters in question although it was appreciated that in some cases these were outside the control of the Authority.

It was intended that at the next meeting the Plan would be submitted for the forthcoming year to show the planned submission of reports to meet statutory deadlines; this would then enable the Committee to add in further items of choice and to maintain a manageable work load.

RESOLVED

That the Work Plan be noted and that it be updated and considered further at the next meeting of the Committee.

41 RISK MANAGEMENT UPDATE

The Committee considered a summary of the most significant threats and opportunities facing the Council which could prevent or assist the achievement of the Council's Corporate Plan 2016/20. It was reported that at present ten threats and four opportunities were detailed in the Councils Corporate Risk Register and there had been some changes in them since the last meeting. Changes relating to the adoption of the Cheshire East Local Plan, NHS Funding and the Sustainability and Transformation Plan, financial resilience, information security and cyber threat, and partnership working were explained, further details of which were provided in an appendix to the report.

A proposed briefing on CR4 Contract and Relationship Management had been prepared but due to time and personnel constraints it was suggested that this be deferred to the next meeting of the Committee.

RESOLVED

That the report be received and that the briefing on CR4 Contract and Relationship Management be considered at the next meeting of the Committee.

42 WAIVERS AND NON ADHERENCE NOTIFICATIONS

Consideration was given on an update on the number and reasons for Waivers and Non Adherences (WARNs) approved between 1 September and 31 October 2017. Comparisons with previous years from 2014 were given and Members welcomed the continuing reduction in numbers which it was considered were a good indicator that revised procedures were working successfully.

An update was also provided on the Contract Management Audit – Findings and Next Steps which related to a report by Internal Audit in 2016 which had concluded that arrangements for effective contract management were insufficient. Members were informed that a new Commissioning and Procurement Board had been created and that a Contract Management Framework had been developed; this mapped out the Council's approach over the next 12 months to create a consistent approach across the Council. The framework drew upon good practice and National Audit and Government Procurement Service guidance and was expected to be formally approved in December and implemented in January 2018.

RESOLVED

That the report be noted.

43 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

44 WAIVERS AND NON ADHERENCE NOTIFICATIONS

RESOLVED

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.00 pm

Councillor G Baxendale (Chairman)