

# Public Document Pack



To members of the  
Audit and Governance Committee

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DATE: 30 July 2019

Dear Councillor

## **AUDIT AND GOVERNANCE COMMITTEE – TUESDAY 30TH JULY 2019**

I am now able to enclose, for consideration at next Tuesday, 30th July, 2019 meeting of the Audit and Governance Committee, the following reports that were unavailable when the agenda was printed.

### **Agenda Item 5 – External Audit Findings and Action Plan 2018/19**

Yours sincerely

Rachel Graves

Democratic Services Officer

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*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** External Audit Findings and Action Plan 2018/19

**Senior Officer:** Alex Thompson, Director of Finance & Customer Services

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### **1. Report Summary**

- 1.1. The Audit Completion Report will be presented to the Committee by Mazars, the Council's external auditors. The report, appended to this paper summarises the findings from the 2018/19 Audit. It identifies the key issues that have been considered by Mazars before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

### **2. Recommendations**

- 2.1. That members receive and comment on the Audit Completion Report for the year ending 31<sup>st</sup> March 2019.

### **3. Reasons for Recommendations**

- 3.1. The appointed auditors are required to report to those charged with governance. The Audit Completion Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2018/19.

### **4. Other Options Considered**

- 4.1. Not applicable.

### **5. Background**

- 5.1. The auditors are responsible for giving an opinion on:
  - Whether the accounts give a true and fair view of the financial position of the the Council and the Group as at 31<sup>st</sup> March 2019 and

of the Council's and the Group's expenditure and income for the year then ended;

- Whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19;
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

5.2. The findings in relation to these areas are set out in Sections 3 – 6 of the Audit Completion Report attached as Appendix A.

5.3. As the Council's appointed auditors, representatives of Mazars will attend the Committee to report their findings directly to Members.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. There are no legal implications identified.

### **6.2. Finance Implications**

6.2.1. As covered in the report.

### **6.3. Policy Implications**

6.3.1. There are no policy implications identified.

### **6.4. Equality Implications**

6.4.1. There are no equality implications identified.

### **6.5. Human Resources Implications**

6.5.1. There are no human resource implications identified.

### **6.6. Risk Management Implications**

6.6.1. The audit has been conducted in accordance with International Standards of Auditing (UK) and means the auditors focus on audit risks that have been assessed as resulting in a higher risk of material misstatement.

### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

6.8.1. There are no direct implications for children and young people.

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Ward Members Affected**

7.1. Not applicable.

**8. Consultation & Engagement**

8.1. In accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015 the accounts were made available for public inspection between 3 June 2019 to 12 July 2019.

**9. Access to Information**

9.1. The full report provided by Mazars is appended to this covering report.

**10. Contact Information**

10.1. Any questions relating to this report should be directed to the following officer:

Name: Joanne Wilcox

Job Title: Financial Strategy and Reporting Manager

Email: [Joanne.wilcox@cheshireeast.gov.uk](mailto:Joanne.wilcox@cheshireeast.gov.uk)

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# Audit Completion Report to Audit & Governance Committee

Cheshire East Council  
Year ending 31 March 2019

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Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



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Cheshire East Council  
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30 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit & Governance Committee on 6 December 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314.

Yours faithfully

*Cameron Waddell*

Cameron Waddell  
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Cheshire East Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit & Governance Committee meeting on 30 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Revenue recognition;
- Valuation of Property, Plant & Equipment;
- Valuation of Defined Benefit Pension Liability;
- Group Financial Statements consolidation process; and
- Calculation of the Minimum Revenue Provision.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the revised deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions of objections relating to 2018/19.




# 1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pension Liability		Discussions with the Council are continuing on their treatment of the Council's Pensions pass-through arrangement with the ASDVs
Signed final statements and signed Management Representation Letter		Following the Audit & Governance Committee on 30 July 2019 the Council will provide signed copies of the financial statements, annual governance statement and Management Representation Letter

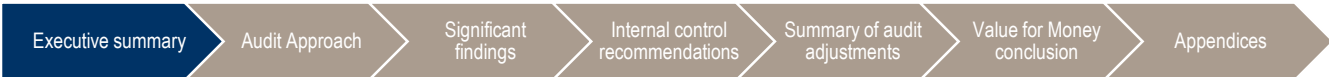
Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit & Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Audit Adjustments and Internal Control Recommendations

Section 4 sets out the internal control recommendation that we have made.  
Section 5 outlines the audit adjustments noted as part of our audit as at the time of issuing this report. If any additional adjustments are noted on completion of the outstanding work, these will be reported to the Audit & Governance Committee in a follow-up letter.



## 2. AUDIT APPROACH

### Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in January 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

### Overview of our group audit approach

The Council's Group financial statements for 2018/19 includes six wholly owned subsidiary companies: ANSA Environmental Services Ltd; Civicance Ltd; Engine of the North Ltd; Orbitas Bereavement Services Ltd; The Skills & Growth Company Ltd; and Transport Service Solutions Ltd.

Our Audit Strategy Memorandum provided details of our intended group audit approach. We confirm that there have been no changes to our approach outlined in that Memorandum, and in particular we have not considered any subsidiary to be a significant component and consequently we have not obtained specific assurance from the component auditors of the six companies.

### Materiality

We set materiality at the planning stage of the audit at £11m for the Group financial statements and £10.8m for the Council financial statements, using a benchmark of around 1.5% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our final assessment of materiality, based on the final 2018/19 financial statements and qualitative factors is unchanged from that at the planning stage for both the Group and Council financial statements. Our final materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit & Governance Committee, at £330k for the Group and £324k for the Council based on 3% of overall materiality.

Materiality element	Group materiality	Council single-entity materiality
Overall materiality	£11,000,000	£10,800,000
Performance materiality	£6,600,000	£6,480,000
Trivial threshold for reporting to Audit & Governance Committee	£330,000	£324,000

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Group or the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 20)	£5,000 *
Related Party Transactions (Note 30)	£50,000

\* Reflecting movement from one salary band to another

### 3. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

#### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. In addition we confirm that through obtaining a detailed understanding of the fees and charges income sources, we concluded we can rebut the presumed risk of revenue recognition for all areas of income. Our audit approach did however incorporate testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.

#### Significant risk

#### Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

There are no matters arising from our work on the management override of controls.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Significant risk

#### Property, plant and equipment valuation

#### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.

#### How we addressed this risk

In relation to the assets which had been revalued during 2018/19 we assessed the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.

We reviewed the approach that the Council adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and we considered the robustness of that approach in light of the valuation information reported by the Council's valuers.

In addition, we considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

#### Audit conclusion

Our work on the valuation of Property, Plant and Equipment has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated. Our other work on the Property, Plant & Equipment balance and disclosures has identified some non-material adjustments, the more significant of which are disclosed in section 5. The Council has amended the financial statements for all the adjustments.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Significant risk

#### Description of the risk

#### Defined benefit liability valuation

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Cheshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

#### How we addressed this risk

As part of our work we reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme Actuary, Hymans Robertson.

We reviewed the appropriateness of the methodology applied in the valuation of the liability by Hymans Robertson, and the key assumptions included within the valuation, comparing them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We reviewed the methodology applied. We considered the Council's response to the key risks that emerged through the audit relating to legal cases that impact on the Local Government Pension Scheme. We also considered the Council's accounting in 2018/19 for the deficit contribution payment it made in 2017/18. We also considered the Council's accounting of the pension liability for its wholly-owned subsidiary companies.

#### Audit conclusion

Our work on the valuation of the LGPS Pension Liability has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated. Our other work on the Pension Liability balance and related disclosures has identified some material and non-material adjustments, including those relating to emerging legal cases which impacted on the LGPS, the more significant of which are disclosed in section 5. The Council has amended the financial statements for all the adjustments. Our work to obtain sufficient assurance that the Council's treatment of the Pension Liability relating to its subsidiary companies is compliant with the Code and supported by the contractual arrangements with the companies is still to be concluded.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

**Management judgement  
Group Financial Statements consolidation process**

**Description of the management judgement**

The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.

**How we addressed this area of management judgement**

We completed our audit of the group entities as set out on page 6. We complemented this work with our work over the Council's Group consolidation process. In particular we reviewed the Council's judgements relating to the entities that are consolidated into the Group financial statements, and we reviewed and tested the method of consolidation of those group entities into the Group financial statements.

**Audit conclusion**

Other than some non-material adjustments to the Group financial statements, as described in section 5 there are no significant matters arising from our audit of the Group Financial Statements consolidation process.

**Management judgement  
Minimum Revenue Provision**

**Description of the management judgement**

The Council agreed its current policy on its Minimum Revenue Provision in 2017/18. The Minimum Revenue Provision is an area of judgement which ensures that the Council makes an appropriate revenue charge each year for the repayment of debt.

**How our audit addressed this area of management judgement**

We reviewed the judgements made relating to the Provision policy in order to confirm that the policy is compliant with the extant statutory regulations in providing a prudent revenue provision for the repayment of debt.

**Audit conclusion**

There are no matters arising from our work on the Council's Minimum Revenue Provision.



### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on the statutory deadline of 31 May 2019 and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

#### Significant matters discussed with management

During our audit we discussed a number of matters with management. The most significant of those matters are reported below:

- The Council's actuary, Hymans Robertson's consideration of the impact of the 'McLoud' and Guaranteed Minimum Pensions legal cases on the Council's pension liability.
- The Council's treatment of its Pension pass-through arrangements with its Alternative Service Delivery Vehicles.
- The Council's treatment in the 2018/19 accounts of its up-front Pension payment made in the previous year.
- The Council's application of accounting standard IFRS9 on its financial assets.

Our resolution of these considerations have led to some amendments to the draft financial statements as outlined in section 5.

#### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

#### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during our audit.



## 4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	4

## 4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

### Other recommendations on internal control – Level 3

#### Issue 1

##### Description of deficiency

The Council's approach to impairing its debtor balances (bad debt provision) for 'accounts payable' invoices results in it not impairing debts that are less than 6 months old. We are satisfied that this does not result in a material misstatement of the debtor balance overall. However the approach is not consistent with the requirements of the simplified expected credit losses approach in accounting standard IFRS9 which was adopted in 2018/19.

##### Potential effects

The potential impact of the Council's current approach is that debtors are impaired and not impaired inappropriately, without considering the expected credit losses over the life of the debtor.

##### Recommendation 1

The Council should refine its approach to considering impairment of debtors to ensure it applies the approach outlined in IFRS9.

##### Management response

Agreed.

#### Issue 2

##### Description of deficiency

The Council includes in its Long Term Provision balance its estimate of the liability arising from insurance claims. It is likely that some of those claims will be settled in the next 12 months, and the estimate of those liabilities should be disclosed as Short Term Provisions within the Current Liabilities in the Balance Sheet, with the remaining balance being included in the Long Term Provisions. From the work completed we are satisfied that this deficiency has not led to a material misstatement.

##### Potential effects

The impact of this issue is that it is likely that the Long Term Liabilities in the balance sheet are overstated, and the Current Liabilities are understated. There is no impact on the overall Net Assets of the Council or the Comprehensive Income & Expenditure Statement.

##### Recommendation 2

The Council should estimate the value of its disclosed insurance provision which it considers likely to be settled within 12 months of the balance sheet date and include that value as a short term provision.

##### Management response

Agreed.

## 4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

### Other recommendations on internal control – Level 3

#### Issue 3

##### Description of deficiency

Although the Council has adopted a comprehensive approach to backing up its IT systems, there is no formal backup policy in place.

##### Potential effects

The absence of a backup policy means the Council is not formally driving the approach to backups.

##### Recommendation 3

Formalise the approach to IT backups by adopting a policy.

##### Management response

Agreed.

#### Issue 4

##### Description of deficiency

The Council has in place a formal IT Change Management Policy setting out its approach to managing changes to its IT systems. The policy was last updated over 2 years ago in January 2017.

##### Potential effects

Reviewing the policy regularly, and updating it as necessary, will ensure that the Council's approach to IT changes remains appropriate and effective and does not expose the Council to unnecessary risks.

##### Recommendation 4

Formally review the Change Management Policy and adopt a timetable to regularly review the policy going forward.

##### Management response

Agreed.

### Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal controls points to follow up and report.

## 5. SUMMARY OF AUDIT ADJUSTMENTS

We set out below the items identified for adjustment during the course of the audit, above the level of trivial threshold of £330k for the Group financial statements and £324k for the Council financial statements.

On this page we report the adjustments that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not intend to adjust.

On the following page we report the audit adjustments for which the draft financial statements have been adjusted by management during the course of the audit.

### Unadjusted audit differences 2018/19

There are no unadjusted audit differences arising from our audit.

## 5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

### Adjusted audit differences 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Property, Plant & Equipment			1,691	
Cr: Capital Adjustment Account				1,691
Dr: Cost of Services – Children's Services	217			
Cr: MIRS - Capital Adjustment Account				217
Dr: Financing & Investment Expenditure	3,352			
Cr: Capital Adjustment Account				3,352

*In applying the guidance issued by the Council's previous auditors, the Council removed from the balance sheet at 31 March 2019 the Property, Plant & Equipment (PPE) valuations of a school which transferred to Academy status on 1 April 2019. Following discussions, the Council have amended the balance sheet and PPE disclosures in Note 7 to accurately reflect that the school was within the Council's control on 31 March 2019. The Council has correctly disclosed the transfer to Academy status on 1 April 2019 as a post-balance sheet event in Note 34. This issue has also resulted in an adjustment to include three schools who transferred on 1 April 2018 with a net book value of PPE of £5.4m that were wrongly removed from the 2017/18 accounts.*

2 Dr: Cost of Services - Past Service Cost	6,031			
Cr: Other Comprehensive Expenditure		6,031		
Dr: MIRS - Pension Reserve			6,031	
Cr: Pension Liability				6,031

*The Council obtained a revised an updated actuarial report to include the impact of the 'McLoud' and 'Guaranteed Minimum Pensions' legal cases in its Pension Liability.*

3 Dr: MIRS - Pension Reserve			18,042	
Cr: Pension Liability				18,042

*In accounting for its up-front payment of the LGPS deficit contributions in the 2017/18 accounts the Council reduced its Pension Liability by £31.8m, being the contributions that 'related' to 2018/19 and 2019/20. This was an incorrect treatment. The adjustment above reflects the 2018/19 contributions which had been reduced from the Pension Liability in 2018/19, again incorrectly. In correcting this error the Council has also corrected its opening balances and has increased the prior year Pension Liability and Pension Reserve by £31.8m reflecting the correct required treatment in 2017/18.*

## 5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

### Adjusted audit differences 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Dr: PP&E – Infrastructure			6,970	
Cr: PP&E – Assets under Construction				6,970

*The Council's capital project for Crewe Green Roundabout was completed before the end of the financial year but the value of the asset was recorded as an Asset Under Construction at 31 March 2019. The adjustment above moves the value of the infrastructure asset from Assets Under Construction to Infrastructure Assets. This adjustment only impacts on the disclosure of Property, Plant & Equipment in Note 7.*

5 Dr: Current Assets – Cash & Cash Equivalents			1,516	
Cr: Current Liabilities – Cash & Cash Equivalents				1,516

*The Council had included bank overdrafts within its Current Assets - Cash & Cash Equivalents balance, and disclosed their balances in Note 10. This can be allowable where the Council has a right of offset between the accounts in debit and credit, but in this case the Council did not have such a right. The adjustment has moved the value of the overdrawn balances to a current liability and increased the value of the current assets to reflect the gross value of the cash & cash equivalents. The Council has disclosed in Note 10 that the overdrawn balances reflect the value of unrepresented cheques and BACS payments at the year end.*

6 Dr: Group Cost of Services – Gross Expenditure	4,096			
Cr: Group Cost of Services – Gross Income		4,096		

*The Council has amended the analysis of Cost of Services Income & Expenditure in its Group Comprehensive Income & Expenditure Statement to accurately reflect the removal of inter-company income & expenditure from the Group accounts. These amendments have no impact on the Group Net Expenditure at Cost of Service level, and only impact on the Directorate analysis of Gross Expenditure and Gross Income*

## 5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

### Adjusted audit differences 2018/19 (continued)

#### Disclosure adjustments

In addition to the adjustments outlined above, the Council has made a number of amendments to the disclosures in the financial statements.

Among these adjustment were contextual or presentational adjustments made to:

- Re-categorising the Council's investments with CCLA Property Fund and Kames Capital under accounting standard IFRS9 as Fair Value through Profit & Loss rather than Fair Value through Other Comprehensive Income. The impact of this change is seen in Note 8, and means that movements in the valuation of these investments are accounted for through the Council's General Fund balance. The government has put in place a temporary statutory override, to last for five years, to enable Council's to account for these valuation changes through its Financial Instruments Revaluation Reserve and not the General Fund balances;
- Remove references to the 'Available for Sale Reserve' in 2018/19 as this reserve is replaced by other reserves on the adoption of accounting standard IFRS9;
- Include a newly required disclosure table in the Financial Instruments in Note 8;
- More clearly disclose the fees payable to Mazars in the External Audit Costs in Note 5 to the Group accounts and Note 23 to the Council accounts;
- Remove disclosures not required by the Code of Practice in the Officers Remuneration Note 21; and
- Include additional disclosures in the Related Party Transactions in Note 30;
- More accurately disclose the transactions within the Collection Fund.



6. VALUE FOR MONEY CONCLUSION

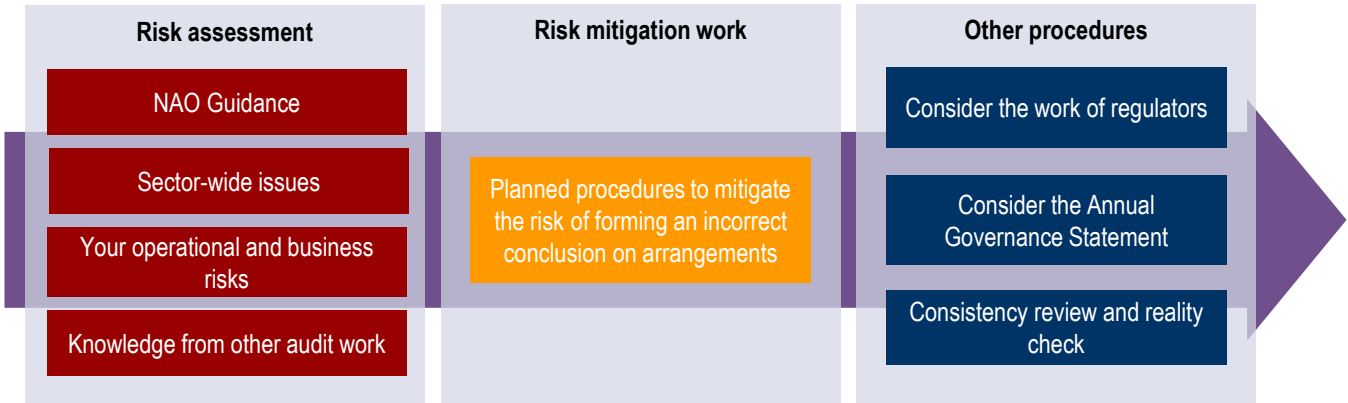
Our audit approach to the Value for Money conclusion

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

A summary of the work we have undertaken is provided below:

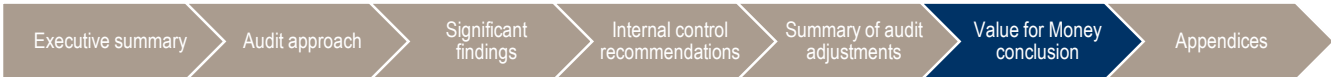


Significant audit risks to our Value for Money conclusion

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risks:

- Financial sustainability; and
- Good governance to support informed decision making

The work we carried out in relation to the significant risks is outlined overleaf.



## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

Risk	Work undertaken and findings	Conclusion
<b>Financial Sustainability</b>	<b>Work undertaken</b>	
<p>The Council's medium term financial strategy for the period 2016/17 to 2019/20 sets out the financial challenges it faces. The mid year reporting for 2018/19 indicated that the Council was projecting to overspend this year's budget by £5.3m, placing further pressure on service delivery and increasing the use of reserves to support the revenue expenditure.</p> <p>The continuing challenges the Council faces are not new and are not unique to Cheshire East Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>We reviewed the arrangements the Council had in place throughout 2018/19 for ensuring financial resilience. Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p><b>Findings</b></p> <p>Based on the work carried out we have established that:</p> <ul style="list-style-type: none"> <li>• The Council has a robust budget setting process in place for 2018/19 and 2019/20.</li> <li>• The monitoring through the year is timely and detailed and enables the Council to manage its financial position through the year accurately.</li> <li>• There are overspends in some demand-led areas in 2018/19, but overall the Council has maintained strong control of its budgets.</li> <li>• Overall the budget overspend is not significant, and the use of earmarked reserves in 2018/19 is not significantly more than budgeted.</li> <li>• The level of overall earmarked reserves is adequate, and provides sufficient flexibility for the Council to deliver financial sustainability in the medium term</li> </ul>	<p>We conclude that for 2018/19 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p>

## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks (continued)

Risk	Work undertaken and findings	Conclusion
<p><b>Good governance to support informed decision making</b></p> <p>In 2017/18, the Council's previous auditors qualified their Value for Money conclusion on the basis of inadequate arrangements for good governance to support informed decision making. We have taken the previous auditor's conclusions into account in considering the significant Value for Money risks in 2018/19, and we have concluded that this area is a significant risk for our work.</p> <p>During 2018/19 the Council continued to operate with temporary senior management arrangements for key posts including the Chief Executive, Section 151 Officer and Monitoring Officer.</p> <p>To demonstrate that the arrangements were adequate for 2018/19, the Council will need to demonstrate that its governance arrangements, particularly relating to strategic and financial decision making matters were operating efficiently and effectively.</p>	<p><b>Work undertaken</b></p> <p>We reviewed the Council's governance arrangements particularly focusing on the decision making process for strategic and financial decisions.</p> <p>In addition we focused our work on the work the Council has undertaken to addressing the historical governance issues, focusing on the arrangements relating to whistleblowing, procurement, land transactions, and the Council's plans to move forward from the temporary senior management arrangements to permanent arrangements.</p> <p><b>Findings</b></p> <p>The findings from each of the areas of our review are:</p> <ul style="list-style-type: none"> <li>The Council's whistleblowing policy has been produced using guidance documents from 'Public Concern at Work', and provides a clear outline on how seriously the Council takes whistleblowing. The policy provides guidance on how to raise concerns under the policy, where to raise concerns and with whom. The policy has been refreshed regularly and is publicised. The Council have actively involved Public Concern at Work in evaluating the policy and suggesting improvements.</li> <li>The Council's arrangements for procurement are set out in its Contract Management Framework. The approach is based on an assessment of the size and business criticality of the contract being let. Categorising contracts as Platinum, Gold, Silver and Bronze allows the Council to put in place arrangements that are appropriate to the contract. Contracts assessed as high value with a high level of Business Criticality are segmented as Platinum contracts, and these contracts receive the highest level of oversight and scrutiny, involving senior management, procurement, legal and finance officers and Council members in the decision making process.</li> </ul>	<p>We conclude that for 2018/19 the Council has made proper arrangements for governance to support informed decision making.</p>
[continued overleaf]		

## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks (continued)

Risk	Work undertaken and findings	Conclusion
<p><b>Good governance to support informed decision making</b></p> <p>In 2017/18, the Council's previous auditors qualified their Value for Money conclusion on the basis of inadequate arrangements for good governance to support informed decision making. We have taken the previous auditor's conclusions into account in considering the significant Value for Money risks in 2018/19, and we have concluded that this area is a significant risk for our work.</p> <p>During 2018/19 the Council continued to operate with temporary senior management arrangements for key posts including the Chief Executive, Section 151 Officer and Monitoring Officer.</p> <p>To demonstrate that the arrangements were adequate for 2018/19, the Council will need to demonstrate that its governance arrangements, particularly relating to strategic and financial decision making matters were operating efficiently and effectively.</p>	<p><b>Findings (continued)</b></p> <ul style="list-style-type: none"> <li>The Council has invested significant resource into establishing a detailed Contract Management Framework and monitoring compliance with this Framework. Our review of contract letting through the year provided assurance that the Council is following its own processes, and an internal audit report in May 2018 concluded that the procurement governance arrangements were satisfactory.</li> <li>The Council has clearly focused significant corporate and departmental attention into strengthening the governance arrangements over land transactions following the internal audit reports into historical transactions. The Council has responded positively to the internal audit action plan, issued in August 2018, and has reported progress internally, identifying the progress made against each of the recommendations. The Council has established more robust reporting and governance arrangements including an Assets Board, a Capital Programme Board, and record keeping that focuses on the need for comprehensive audit trails of decisions taken and information considered. Further actions are being completed and the Council's progress is reported through to Corporate Leadership Team.</li> <li>The Council has operated through 2018/19 with a significant number of 'acting' and 'temporary' amongst senior staff, operating under a corporate structure based on three Directorates (People, Place, Corporate). The Council acknowledged that needed to be updated. We note the revised structure has now been established implemented in 2019/20.</li> </ul>	<p>We conclude that for 2018/19 the Council has made proper arrangements for governance to support informed decision making.</p>

[continued overleaf]

## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks (continued)

Risk	Work undertaken and findings	Conclusion
<p><b>Good governance to support informed decision making</b></p> <p>In 2017/18, the Council's previous auditors qualified their Value for Money conclusion on the basis of inadequate arrangements for good governance to support informed decision making. We have taken the previous auditor's conclusions into account in considering the significant Value for Money risks in 2018/19, and we have concluded that this area is a significant risk for our work.</p> <p>During 2018/19 the Council continued to operate with temporary senior management arrangements for key posts including the Chief Executive, Section 151 Officer and Monitoring Officer.</p> <p>To demonstrate that the arrangements were adequate for 2018/19, the Council will need to demonstrate that its governance arrangements, particularly relating to strategic and financial decision making matters were operating efficiently and effectively.</p>	<p><b>Findings (continued)</b></p> <ul style="list-style-type: none"> <li>In considering the arrangements for decision making in place in the year we have focused on whether the decision making has been appropriate, and whether the appointments of the 'acting' and 'temporary' senior management indicates appropriate governance over staff planning. Our review considered the operational arrangements in place to deliver devolved decision making with robust governance in place. Our review has assured us that the Council has been progressing with its implementation of a revised structure through the year, and has subsequently implemented this structure in 2019/20. Furthermore we are assured that there is evidence of robust decision making, taking into account relevant information and applying the Council's constitution and delegation arrangements.</li> </ul>	<p>We conclude that for 2018/19 the Council has made proper arrangements for governance to support informed decision making.</p>

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

**To be provided to us on client headed note paper**

[Client address]

[Date]

Dear [Name]

### **Cheshire East Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Cheshire East Council ('the Council') and its Group for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as the Council's Director of Finance & Customer Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Cabinet and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

#### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

[continued]

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as the Council’s Director of Finance & Customer Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council and Group’s related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Pension 'Pass-Through' arrangement

I confirm that I am satisfied that the legal agreements in place between the Council and the companies has transferred the actuarial and investment risk to the Council, and I am satisfied that the Council's accounting treatment of the 'pass-through' arrangements with its wholly owned subsidiary companies is compliant with the requirements of applicable accounting standards, the Code, and applicable legal requirements including Local Government Pension Scheme Regulations.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in Appendix A.

Yours faithfully

Alex Thompson  
Director of Finance & Customer Services



Independent auditor's report to the members of Cheshire East Council

Report on the financial statements

Opinion

We have audited the financial statements of Cheshire East Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31<sup>st</sup> March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

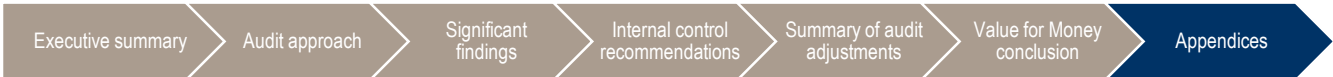
Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance & Customer Services is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



# APPENDIX B

## DRAFT AUDITOR'S REPORT

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Director of Finance & Customer Services for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance & Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance & Customer Services is also responsible for such internal control as the Director of Finance & Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & Customer Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance & Customer Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Cheshire East Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Cheshire East Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

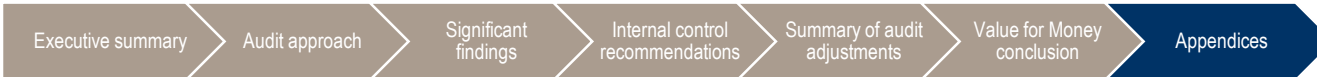
The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Cheshire East Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition, we cannot formally conclude the audit and issue an audit certificate until the Council's previous auditors have completed their consideration of matters brought to their attention in 2015/16. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell  
For and on behalf of Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE  
Insert Date

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent. In particular there are no independence threats from our non-audit work disclosed below.

We also confirm that we have received confirmation from our external experts regarding their independence.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit fees at this, our Audit Completion phase. We confirm that we have not carried out any non-audit engagements at the Council.

Audit fees	2018/19 (actual)	2018/19 (planned)
Cheshire East Council – audit of the Council and Group financial statements	£119,034	£119,034
Total audit fees	£119,034	£119,034

Services provided to other entities within the Council’s group

We have not been engaged by any of the Council’s group entities to provide any audit, or non-audit, services in 2018/19.

## CONTACT

### **Cameron Waddell**

#### **Partner**

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0161 238 9243

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