

# Audit and Governance Committee

## Agenda

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<b>Date:</b>	<b>Thursday, 14th March, 2019</b>
<b>Time:</b>	<b>2.00 pm</b>
<b>Venue:</b>	<b>Committee Suite 1,2 &amp; 3, Westfields, Middlewich Road, Sandbach CW11 1HZ</b>

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The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the top of each report.

It should be noted that Part 1 items of Cheshire East Council decision making and Overview and Scrutiny meetings are audio recorded and the recordings will be uploaded to the Council's website.

### **PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT**

1. **Apologies for Absence**

To receive any apologies for absence.

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

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For requests for further information

**Contact:** Rachel Graves

**Tel:** 01270 686473

**E-Mail:** [rachel.graves@cheshireeast.gov.uk](mailto:rachel.graves@cheshireeast.gov.uk) with any apologies

In accordance with paragraph 2.32 of the Committee Procedural Rules and Appendix 7 to the Rules a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the body in question.

Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

4. **Minutes of Previous Meeting** (Pages 5 - 10)

To approve the minutes of the meeting held on 6 December 2018 as a correct record.

5. **Update on the 2018/19 External Audit Plan** (Pages 11 - 28)

To receive and comment on the External Auditors planned work for the audit of financial statements and the value for money conclusion for 2018/19.

6. **Certification Report 2017/18** (Pages 29 - 34)

To receive and comment on the Certification letter for the Housing Benefits Subsidy claim.

7. **Members Code of Conduct: Standards Report** (Pages 35 - 38)

To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1 September 2018 and the end of February 2019.

8. **Procedural Advice**

The Interim Executive Director of Corporate Services to provide verbal advice relating to procedural matters.

9. **Internal Audit Interim Report** (Pages 39 - 78)

To consider a summary of Internal Audit work undertaken between October and December 2018.

10. **Internal Audit Plan 2019/20** (Pages 79 - 100)

To approve the summary risk based Internal Audit Plan for 2019/20.

11. **Maladministration Decision Notices from Local Government and Social Care Ombudsman – September – November 2018** (Pages 101 - 106)

To consider and note a report on the Decision Notices issued by the Local Government and Social Care Ombudsman (LGSCO) when their investigations have found maladministration causing injustice to complainants.

12. **The Audit and Governance Committee Work Plan** (Pages 107 - 130)

To consider the forthcoming Work Plan for 2019/20, to ensure comprehensive coverage of the Committee's responsibilities.

13. **Contract Procedure Rule Non-Adherences** (Pages 131 - 136)

To receive an update on the quantity and reasons for non-adherences approved between the 1 October 2018 and the 31 January 2019.

14. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

**PART 2 - MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT**

15. **Contract Procedure Rules Non-Adherences**

To note the approved WARNs issued between the 1 October 2018 and the 31 January 2019.

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**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 6th December, 2018 at Committee Suite 1,2 & 3,  
Westfields, Middlewich Road, Sandbach CW11 1HZ

**PRESENT**

Councillor M Sewart (Vice-Chair, in the Chair)

Councillors S Corcoran, M Deakin (substitute for Cllr G Baxendale),  
R Fletcher, P Groves, A Kolker, N Mannion, G Merry and A Stott

**Councillors in attendance**

Councillors P Bates and J Clowes

**Officers in attendance**

Mark Taylor, Interim Executive Director of Corporate Services  
Dan Dickinson, Acting Director of Legal Services and Monitoring Officer  
Alex Thompson, Head of Finance and Performance (Section 151 Officer)  
Michael Todd, Principal Auditor  
Josie Griffiths, Principal Auditor  
Juan Turner, Compliance and Customer Relations Officer (minute 60 only)  
David Leadbetter, Corporate Manager, Children's Commissioning (minute 60 only)  
Lianne Halliday, Senior Manager – Procurement (minutes 62 and 64 only)  
Rachel Graves, Democratic Services Officer

**External Auditors**

Gareth Davies, Mazars

**52 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors G Baxendale and T Dean.

**53 DECLARATIONS OF INTEREST**

No declarations of interest were made.

**54 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public present.

**55 MINUTES OF PREVIOUS MEETING****RESOLVED:**

That the minutes of the meeting held on 27 September 2018 be approved as a correct record.

**56 EXTERNAL AUDIT PLAN - 2018/19**

The Committee considered the Audit Plan for the year ending 31 March 2019, which set out the work to be carried out by the Council's External Auditors Mazars.

Gareth Davies of Mazars outlined the work, detailed in the Appendix to the report, which included auditing identified significant risks, Value for Money arrangements and the audit fees.

**RESOLVED:**

That the Audit Plan for 2018/19 be received and the audit fees be noted.

**57 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2019/20**

The Committee considered an update on the Council's draft Treasury Management Strategy and the Minimum Revenue Provision Statement 2019/20.

The Treasury Management Strategy detailed the activities of the Treasury Management function in the forthcoming year 2019/20. The Strategy reflected the views on interest rates of leading market forecasts by Arlingclose, the Council's advisor on treasury matters.

The Treasury Management Strategy formed part of a range of financial strategies which would be reported as part of the Medium Term Financial Strategy to Cabinet and full Council in February 2019.

**RESOLVED:**

That the draft Treasury Management Strategy and Minimum Revenue Provision Statement 2019/20 be received.

**58 ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE REVIEW**

The Committee considered an update on the issues reported in the 2017-18 Annual Governance Statement and on the process for the production of the 2018-19 Annual Statement and the review of the Council's Code of Conduct.

Appendix A to the Report detailed the progress on the items included in the 2017/18 Annual Governance Statement. Table 1 in the report set out a summary of the recommendations to the Committee on which items should be considered as completed or managed, and can be monitored via local monitoring arrangements and which required further monitoring via the Annual Governance Statement.

The 2018/19 Annual Governance Statement would be prepared in line with the requirements of updated CIPFA/SOLACE guidance and carried out against the principles identified in the current Code of Corporate Governance, which was approved by Cabinet in January 2017.

**RESOLVED:** That the Committee

- 1 note and endorse the updates provided on the issues reported in the 2017/18 Annual Governance Statement, including the recommendations to the Committee on whether items remain in the Statement; and
- 2 endorse the process for the production of the 2018-19 Annual Governance Statement, including the proposals for reviewing the Code of Corporate Governance.

### 59 MANDATORY DECLARATIONS OF INTEREST

The Committee considered a report on whether or not any outside organisation should be considered as being organisations which, by virtue of solely being members of the same, Councillors must declare and/or register an interest in under the Council's Code of Conduct.

In response to the invitation at the last meeting to suggest any organisation which should be included and why, three representations had been received. One representation was against prescribing particular organisations as members were responsible for making appropriate declarations under the existing provisions of the Code. The two other representations related solely to Freemasonry and that membership of the Freemasons should trigger a mandatory declaration/registration of interest under the Code.

The Committee attention was drawn to the European Court of Human Rights decision in *Grande Oriente d'Italia di Palazzo Guistiniani v Italy* (no.1) and *Grande Oriente d'Italia di Palazzo Guistiniani v Italy* (no.2) that a law requiring candidates who had been nominated for public office to declare whether they were freemasons violated Articles 11 and 14. In the light of these decisions the policy for requiring similar declarations of successful candidates for judicial appointments was withdrawn by the then Lord Chancellor.

It was noted that the review of the Constitution had considered whether any amendments should be made to the Code of Conduct and had concluded that no mandatory declarations/registrations on account of simple membership of any particular organisation was required.

**RESOLVED:** That the Committee

- 1 note that there were adequate provisions in the Member Code of Conduct to appropriately deal with conflicts of interest that may arise in decision making; and
- 2 decline to particularise any outside organisation as being organisations which, why virtue solely of being members of same, Councillors must declare and/or register an interest in under Cheshire East Council Member Code of Conduct.

**60 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN: JUNE – AUGUST 2018**

The Committee considered a report on the Decision Notices issued by the Local Government Ombudsman between 1 June and 31 August 2018.

It was reported that one Decision Notices had been issued which concluded that there had been maladministration causing injustice – details of which were set out in Appendix 1 to the report. It was confirmed that the Education, Health and Care Plan assessment had now been carried out.

**RESOLVED:**

That the report be noted.

**61 COMMITTEE WORK PLAN 2018/19**

Consideration was given to the Committee's Work Plan for 2018/19.

It was noted that the Committee's updated terms of reference would be considered by Council on 13 December and until approved the previous terms of reference remained in place.

A number of items had been rescheduled for the March 2019, details of these were set out in paragraphs 5.7.1 and 5.7.2 of the report.

**RESOLVED:**

That the Work Plan be approved and that it be brought back to the Committee throughout the year for further development and approval.

**62 CONTRACT PROCEDURE RULE WAIVERS AND NON ADHERENCES**

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs) which had been approved between 1 – 30 September 2018.



**RESOLVED:**

That the report be noted.

**63 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 as amended on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1, 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

**64 CONTRACT PROCEDURE RULE WAIVERS AND NON ADHERENCES**

**RESOLVED:**

That the WARN be noted.

The meeting commenced at 2.00 pm and concluded at 3.27 pm

Councillor M Sewart (Vice-Chair, in the Chair)

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## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Update on the 2018/19 External Audit Plan

**Senior Officer:** Alex Thompson, Head of Finance & Performance (Acting Section 151 Officer)

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### **1. Report Summary**

- 1.1. An update on the audit plan for 2018/19 is set out in Appendix 1.

### **2. Recommendation/s**

- 2.1. That members receive and comment on the audit plan.

### **3. Reasons for Recommendation/s**

- 3.1. The Audit Plan sets out the work that the Council's Auditors, Mazars will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

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

- 4.1. Not applicable

### **5. Background**

- 5.1. Mazars have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 5.2. The report sets out progress to date on the 2018/19 audit and national publications of interest.

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

#### **6.1. Legal Implications**

- There are no legal implications identified.

#### **6.2. Finance Implications**

- The audit fees will be met from within the revenue budget.

**6.3. Policy Implications**

- There are no policy implications identified.

**6.4. Equality Implications**

- There are no equality implications identified.

**6.5. Human Resources Implications**

- There are no human resources implications identified.

**6.6. Risk Management Implications**

- Mazars will complete a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

**6.7. Rural Communities Implications**

- There are no direct implications for rural communities.

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

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

**6.9. Public Health Implications**

- There are no direct implications for public health.

**7. Ward Members Affected**

7.1. Not applicable.

**8. Access to Information**

8.1. The background papers relating to this report can be inspected by contacting the report writer.

**9. Contact Information**

9.1. 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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Appendix 1: Audit Progress Report – Cheshire East Council

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# Audit Progress Report

Cheshire East Council

February 2019





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1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Cheshire East Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



# 1. AUDIT PROGRESS

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

## Audit progress

Since the Committee last met we have:

- had update meetings with finance in respect of planning for the 2018/19 interim and final audit visits;
- undertaken detailed work to obtain documentation of controls in the Council's key financial systems, including undertaking walkthrough testing of key controls to confirm our understanding of those systems;
- completed our work to obtain an understanding of the processes in place at the Council to produce the 2018/19 financial statements;
- commenced our detailed audit work for our 2018/19 VFM conclusion; and
- held liaison discussions with Internal Audit colleagues as part of our approach to gain a full and clear understanding of the Council for our 2018/19 audit.

Our detailed audit work will continue with our interim audit visit which commences on 11 March 2019. The plans for our final audit visit are underway, and we expect to be on site to carry out our audit testing in early June 2019.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

## Financial Reporting workshop

Mazars is proud to be one of the leading providers of external audit to Local Government. Reflecting our sector-leading position, we held our 2018/19 Financial Reporting workshop in Manchester in February 2019, and the Council finance officers attended and contributed to the discussions.

These workshops are designed to provide Council finance staff with our understanding of the key changes and challenges in the financial reporting requirements for the year. They enable our national Local Government technical experts to reflect their experiences and their discussions with CIPFA and the wider accounting profession, and provide a good networking and discussion opportunity for Councils.

This was our first such event in the North West, and we will discuss feedback with your finance team to ensure future events deliver what is needed for our clients.

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
<b>National Audit Office (NAO)</b>			
1	<b>Local auditor reporting in England 2018</b>	Main findings reported by auditors in 2017/18.	5-6
2	<b>Local authorities - governance</b>	Consideration of VfM and financial sustainability in local authorities.	6
3	<b>NHS financial sustainability</b>	Current picture not sustainable and yet to be seen whether spending plans will deliver the change required.	7
4	<b>A review of the role and costs of clinical commissioning groups</b>	Organisational stability needed.	8
<b>Public Sector Audit Appointments Ltd (PSAA)</b>			
5	<b>Local quality audit forum</b>	December 2018 forum slides available online.	9
6	<b>Oversight of audit quality, quarterly compliance reports</b>	No significant issues.	9
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>			
7	<b>Scrutinising Public Accounts: A Guide to Government Accounts</b>	Online publication resource available.	10
8	<b>CIPFA Fraud and Corruption Tracker 2017/18</b>	Annual report. Increase in fraud detected or prevented.	10
<b>Mazars</b>			
9	<b>The NHS long-term plan – a summary</b>	In this briefing on the new NHS long-term plan, we have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.	11-13

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 1. Local auditor reporting in England 2018, National Audit Office, January 2019

Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors.

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the C&AG took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors. The report highlights a number of points as summarised below.

- Auditors gave unqualified opinions on financial statements in 2015-16, 2016-17 and 2017-18. This provides assurance that local public bodies are complying with financial reporting requirements. As at 17 December 2018, auditors had yet to issue 16 opinions on financial statements, so this does not yet represent the full picture for 2017-18.
- Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. Again, as at 17 December 2018, auditors had yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18. This level of qualifications reinforces the need to ensure that local auditors' reporting informs as much as possible relevant departments' understanding of the issues facing local public bodies.
- Auditors qualified their conclusions at 40 (8%) of local government bodies. The proportion of qualifications was highest for single-tier local authorities and county councils where auditors qualified 27 (18%) of their value for money arrangements conclusions. The qualifications were for weaknesses in governance arrangements, often also highlighted by inspectorates' ratings of services as inadequate.
- More local NHS bodies received qualified conclusions on arrangements to secure VFM than local government bodies. In 2017-18, auditors qualified 168 (38%) of local NHS bodies' conclusions; up from 130 (29%) in 2015-16, mainly because of not meeting financial targets such as keeping spending within annual limits set by Parliament; not delivering savings to balance the body's budget; or because of inadequate plans to achieve financial balance. The increase between 2015-16 and 2017-18 is particularly steep at clinical commissioning groups, with qualifications for poor financial performance increasing from 21 (10%) in 2015-16 to 67 (32%) in 2017-18.
- Local auditors are using their additional reporting powers, but infrequently. Since April 2015, local auditors have issued only three Public Interest Reports, and made only seven Statutory Recommendations. These Public Interest Reports have drawn attention to issues such as unlawful use of parking income, governance failings in the oversight of a council-owned company, management of major projects or members' conduct. Auditors have made Statutory Recommendations in relation to failing to deliver planned cost savings, poor processes for producing the annual financial statements and failure to address weaknesses highlighted by independent reviews.
- A significant proportion of local bodies may not fully understand the main purpose of the auditor's conclusion on arrangements to secure value for money and the importance of addressing those issues. 102 local public bodies were contacted where auditors had reported concerns about their arrangements to ensure value for money:
  - half of the bodies (51) said that the auditor's report identified issues that they already knew about;
  - fifty-seven (95%) of those responding said they had plans in place to address their weaknesses but only three were able to say that they had fully implemented their plans; and
  - twenty-six (25%) did not respond at all to the NAO's request.
- The extent to which central government departments responsible for the oversight of local bodies have formal arrangements in place to draw on the findings from local auditor reports varies. Processes in the relevant central government departments differ. The Department of Health & Social Care, NHS Improvement and NHS England have arrangements in place to monitor the in-year financial performance of local NHS bodies, and use information from local auditor reports to confirm their understanding of risks in the system. The Home Office and Ministry of Housing, Communities & Local Government consider the output from local auditors' reports to obtain a broad overview of the issues local auditors are raising, but there is a risk that these two departments may be unaware of all relevant local issues.

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 1. Local auditor reporting in England 2018, National Audit Office, January 2019 (continued)

- Under the current local audit and performance framework, there is no direct consequence of receiving a non-standard report from the local auditor. Before 2010, a qualified value for money arrangements conclusion would have a direct impact on the scored assessments for all local public bodies published by the Audit Commission at that time. While departments may intervene in connection with the issues giving rise to a qualification, such as failure to meet expenditure limits, there are no formal processes in place, other than the local audit framework, that report publicly whether local bodies are addressing the weaknesses that local auditors are reporting.

A list of all local bodies that received a non-standard local auditor report for 2017-18 was published alongside the report.

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

### 2. Local authorities - governance, National Audit Office, January 2019

The NAO has recently published a report on local authority governance, which examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

The report finds that local authorities have faced significant challenges since 2010. For example, they have seen a real-terms reduction in spending power of 29% and a 15% increase in the number of children in care. These pressures raise the risk of authorities' failing to remain financially sustainable and deliver services.

The way authorities have responded to these challenges have tested local governance arrangements. Many authorities have pursued large-scale transformations or commercial investments that carry a risk of failure or under-performance and add greater complexity to governance arrangements. Spending by authorities on resources to support governance also fell by 34% in real terms between 2010-11 and 2017-18, potentially increasing the risks faced by local bodies.

In 2017-18, auditors issued qualified VFM arrangements conclusions for around one in five single tier and county councils. A survey, carried out by the NAO, of external auditors indicates that several authorities did not take appropriate steps to address these issues.

Some external auditors have raised concerns about the effectiveness of the internal checks and balances at the local authorities they audit, such as risk management, internal audit and scrutiny and overview. For example, 27% of auditors surveyed by the NAO do not agree that their authority's audit committees provided sufficient assurance about the authorities' governance arrangements. Auditors felt that many authorities are struggling in more than one aspect of governance, demonstrating the stress on governance at a local level.

Some authorities have begun to question the contribution of external audit to providing assurance on their governance arrangements. 51% of chief finance officers from single tier and county councils responding to our survey indicated that there are aspects of external audit they would like to change. This includes a greater focus on the value for money element of the audit (26%). External auditors recognise this demand within certain local authorities. However, their work must conform to the auditing standards they are assessed against and any additional activity may have implications for the fee needed for the audit.

The report also finds that MHCLG does not systematically collect data on governance, meaning it can't rigorously assess whether issues are isolated incidents or symptomatic of failings in aspects of the system. MHCLG recognises that it needs to be more active in leading co-ordinated change across the local governance system. The report recommends that MHCLG works with local authorities and other stakeholders to assess the implications of, and possible responses to, the various governance issues identified. It should examine ways of introducing greater transparency and openness to its formal and informal interventions in local authorities and should adopt a stronger leadership role in overseeing the network of organisations managing key aspects of the governance framework.

<https://www.nao.org.uk/report/local-authority-governance-2/>

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 3. NHS financial sustainability, National Audit Office, January 2019

This is the NAO's seventh report on the financial sustainability of the NHS. In its recent reports, in December 2015, November 2016 and January 2018, the NAO concluded that financial problems in the NHS were endemic and that extra in-year cash injections to trusts had been spent on coping with current pressures rather than the transformation required to put the health system on a sustainable footing. To address this, local partnerships of clinical commissioning groups (CCGs), NHS trusts and NHS foundation trusts (trusts) and local authorities were set up to develop long-term strategic plans and transform the way services are provided more quickly.

In June 2018, the Prime Minister announced a long-term funding settlement for the NHS, which will see NHS England's budget rise by an extra £20.5 billion by 2023-24. Between 2019-20 and 2023-24, this equates to an average annual real-terms increase of 3.4%. The government asked NHS England to produce a 10-year plan that aims to ensure that this additional funding is well spent. In return for this extra funding, the government has set the NHS five financial tests to show how the NHS will do its part to put the service onto a more sustainable footing.

This report covers 2017-18, so the NAO first concludes on financial sustainability for that year. The NAO considers that the growth in waiting lists and slippage in waiting times, and the existence of substantial deficits in some parts of the system, offset by surpluses elsewhere do not add up to a picture that can be described as sustainable. Recently, the long-term plan for the NHS has been published, and government has committed to longer-term stable growth in funding for NHS England.

In the NAO's view these developments are positive, and the planning approach seen so far looks prudent. The NAO further states that it will really be able to judge whether the funding package will be enough to achieve the NHS' ambitions when we know the level of settlement for other key areas of health spending that emerges from the Spending Review later in the year. This will help inform whether there is enough to deal with the embedded problems from the last few years and move the health system forward.

<https://www.nao.org.uk/report/nhs-financial-sustainability/>

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 4. A review of the role and costs of clinical commissioning groups, National Audit Office, December 2018

Clinical commissioning groups (CCGs) are clinically-led statutory bodies that have a legal duty to plan and commission most of the hospital and community NHS services in the local areas for which they are responsible. CCGs are led by a Governing Body made up of GPs, other clinicians including a nurse and a secondary care consultant, and lay members. They were established as part of the Health and Social Care Act in 2012 and replaced primary care trusts on 1 April 2013. Since their formation, there have been eight formal mergers of CCGs, which have reduced their number from 211 to 195 as at April 2018. The smallest CCG (Corby) covers a population of 78,000, while the largest (Birmingham and Solihull) covers a population of 1.3 million.

Since commissioning was introduced into the NHS in the early 1990s, there have been frequent changes to the structure of commissioning organisations. This looks set to continue, with the role of CCGs evolving as the NHS pursues a more integrated system across commissioners and providers. Consequently, there are likely to be more CCG mergers and increased collaborative working between CCGs and their stakeholders, for example healthcare providers and local authorities

This review sets out:

- changes to the commissioning landscape before CCGs were established;
- the role, running costs and performance of CCGs; and
- the changing commissioning landscape and the future role of CCGs.

CCGs were created from the reorganisation in how healthcare services are commissioned in the NHS. They were designed to give more responsibility to clinicians to commission healthcare services for their communities and were given resources to do this. NHS England's assessment of CCGs' performance shows a mixed picture. Over half of CCGs were rated either 'outstanding' or 'good', but 42% (87 of 207) are rated either 'requires improvement' or 'inadequate', with 24 deemed to be failing, or at risk of failing. Many CCGs are struggling to operate within their planned expenditure limits despite remaining within their separate running cost allowance. Attracting and retaining high-quality leadership is an ongoing issue.

There has been a phase of CCG restructuring with increased joint working and some CCGs merging. If current trends continue, this seems likely to result in fewer CCGs covering larger populations based around STP footprints. This larger scale is intended to help with planning, integrating services and consolidating CCGs' leadership capability. However, there is a risk that commissioning across a larger population will make it more difficult for CCGs to design local health services that are responsive to patients' needs, one of the original objectives of CCGs.

CCGs have the opportunity to take the lead in determining their new structures. NHS England is expected to set out its vision for NHS commissioning in its long-term plan for the NHS to be published in December 2018. NHS England has said it will step in where CCGs diverge from its vision of effective commissioning. However, it has not set out fully the criteria it will use to determine when to step in.

The NAO's previous work on the NHS reforms brought in under the Health and Social Care Act 2012 highlighted the significant upheaval caused by major organisational restructuring. It is therefore important that the current restructuring of CCGs creates stable and effective organisations that support the long-term aims of the NHS. Following almost three decades of change, NHS commissioning needs a prolonged period of organisational stability. This would allow organisations to focus on transforming and integrating health and care services rather than on reorganising themselves. It would be a huge waste of resources and opportunity if, in five years' time, NHS commissioning is going full circle and undergoing yet another cycle of restructuring.

<https://www.nao.org.uk/report/a-review-of-the-role-and-costs-of-clinical-commissioning-groups/>

## 2. NATIONAL PUBLICATIONS – PUBLIC SECTOR AUDIT APPOINTMENTS LTD

### 5. Local Audit Quality Forum, Public Sector Audit Appointments, December 2018

The Local Audit Quality Forum (LAQF) is a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. PSAA wants to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

Slides of the Manchester December 2018 event are available on the PSAA website as per the link below.

The theme of the Manchester event was financial resilience and sustainability, a major challenge for all local authorities and police bodies in the current climate and a key strategic concern as bodies prepare 2019/20 budgets and update medium term plans. The event explored:

- the nature and scale of the sustainability challenges facing local bodies;
- the strategies and disciplines which can help to address them successfully; and
- the roles and responsibilities of Chief Finance Officers and Auditors in helping to maintain resilience and sustainability.

<https://www.psaa.co.uk/local-audit-quality-forum3/local-audit-quality-forum/>

### 6. Oversight of audit quality, quarterly compliance reports 2018/19 – Quarter 2, Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA, which we are delighted to report shows Mazars being highly rated with nine of the eleven performance measures being rated green. The other two areas: % of Local Government opinion issued, and objections not determined within 9 months, Mazars perform ahead of the All Suppliers results.

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

## 2. NATIONAL PUBLICATIONS - CIPFA

### 7. Scrutinising Public Accounts: A Guide To Government Finances, CIPFA, November 2018

This guide provides an overview of the different processes for budgeting and performance reporting in central and local government, health bodies and includes key questions to ask when scrutinising government financial statements using examples based on UK public sector accounts.

This publication is only available online.

<https://www.cipfa.org/policy-and-guidance/publications/s/scrutinising-public-accounts-a-guide-to-government-finances>

### 8. CIPFA Fraud and Corruption Tracker 2017/18, CIPFA, October 2018

The CIPFA Fraud and Corruption Tracker (CFaCT) survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring;
- provide a guide to the value of detected and prevented fraud loss;
- help senior leaders understand the value of anti-fraud activity; and
- assist operational staff to develop pro-active anti-fraud plans.

The 2017/18 report shows that fraud continues to pose a major financial threat to local authorities, with £302m detected or prevented by councils in 2017/18. While this was £34m less than last year's total, the report revealed an overall increase in the number of frauds detected or prevented – up to 80,000, from the 75,000 cases found in 2016/17. Among these cases there are reminders of some of the challenges being faced by local authorities, with the number of serious or organised crime cases doubling to 56, and a significant increase in the amount lost to business rates fraud, which jumped to £10.4m in 2017/18 from £4.3m in 2016/17.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-councils-detect-or-prevent-£302m-in-fraud-in-2017-18>



## 2. NATIONAL PUBLICATIONS – MAZARS

### 9. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

The Plan recognises that more focus is needed on community care, mental health and wellbeing, reducing health inequalities and preventative care. The implications for local authorities should become clearer with a green paper expected later this year. With NHS revenue funding to grow by an average of 3.4% in real terms a year over the next five years delivering a real term increase of £20.5 billion by 2023/24, this extra spending will need to deal with current pressures and unavoidable demographic change and other costs, as well as new priorities.

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort. In this briefing, we cover:

- System Architecture and Planning
- Prevention and Inequalities
- Out of Hospital Care - Primary/Community Services
- Urgent/ Emergency Care
- Elective Care

Theme	Key features	Implications and questions for local government
System Architecture and Planning	<p>Integrated Care Systems (ICS) will be everywhere by April 2021 with the 'triple integration' of primary and specialist care, physical and mental health services, and health with social care, at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan.</p> <p>ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new 'integration index' to measure how joined up the system is. This is interesting as it's the public voice.</p>	<p>Integrated Care Systems will have a key role in working with local authorities at the 'place' level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health.</p> <p>A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services.</p> <p>The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer.</p> <p>A Green Paper is expected to provide further clarity.</p>

## 2. NATIONAL PUBLICATIONS – MAZARS

Theme	Key features	Implications and questions for local government
Prevention and Inequalities	<p>From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS.</p> <p>A planned £30 million investment in rough sleepers.</p>	<p>The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review?</p> <p>Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.</p>
Out of Hospital Care - Primary/Community Services	<p>There will be a greater proportionate level of investment in Primary care and Community Health Services: with ringfenced local funding equivalent to a £4.5 billion increase by 2023/24.</p> <p>In return, the NHS Plan is expecting:</p> <ul style="list-style-type: none"> <li>Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals.</li> <li>Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and reablement teams.</li> <li>More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.</li> </ul>	<p>When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed?</p> <p>This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based?</p> <p>Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care?</p> <p>Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests?</p> <p>With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?</p>

## 2. NATIONAL PUBLICATIONS – MAZARS

Theme	Key features	Implications and questions for local government
Urgent/ Emergency Care	The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.	<p>A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely.</p> <p>The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.</p>
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

<https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary>

## CONTACT

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## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Certification Report 2017/18

**Senior Officer:** Alex Thompson, Head of Finance & Performance (Acting Section 151 Officer)

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### **1. Report Summary**

- 1.1. The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2017/18 claims and returns.

### **2. Recommendation/s**

- 2.1. That members receive and comment on the Certification letter for the Housing Benefits Subsidy claim which is attached as Appendix 1.

### **3. Reasons for Recommendation/s**

- 3.1. To ensure that members consider the issues and recommendations raised within the report.

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

- 4.1. Not applicable

### **5. Background**

- 5.1. The letter set out in Appendix 1 summarises the findings from the certification of the 2017/18 housing benefit subsidy claim. The fee associated with the certification work is £13,608.
- 5.2. In addition, Cheshire East Council is required to obtain a reasonable assurance report on their annual Teachers Pension return. Grant Thornton has provided this service, in accordance with the terms of their contract and the Terms of Engagement. The associated fee is £4,800. The return was unqualified and completed in accordance with the deadline.

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

#### **6.1. Legal Implications**

- There are no legal implications identified.

**6.2. Finance Implications**

- The audit fees will be met from within the revenue budget.

**6.3. Policy Implications**

- There are no policy implications identified.

**6.4. Equality Implications**

- There are no equality implications identified.

**6.5. Human Resources Implications**

- There are no human resources implications identified.

**6.6. Risk Management Implications**

- The risks associated with the findings of this report relate to a position where the Council may not meet the requirements of the audit and receive a qualified opinion.

**6.7. Rural Communities Implications**

- There are no direct implications for rural communities.

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

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

**6.9. Public Health Implications**

- There are no direct implications for public health.

**7. Ward Members Affected**

- 7.1. Not applicable.

**8. Access to Information**

- 8.1. The background papers relating to this report can be inspected by contacting the report writer.

**9. Contact Information**

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

Name: Joanne Wilcox

Job Title: Financial Strategy and Reporting Manager



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

Appendix 1: Grant Thornton Certification letter for 2017/18 Housing Benefit Subsidy Claim

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**Grant Thornton**

An instinct for growth™

Alex Thompson  
Head of Finance & Performance (Section 151 Officer)  
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11 January 2019

Dear Sirs

## Certification work for Cheshire East Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Cheshire East Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £74.6 million. Further details are set out in Appendix A.

The results of our testing did not identify any errors or extended testing, as such we were able to certify the original claim without either amendment or qualification. We reported our findings to the DWP.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £13,608 and we will not seek any variations from this set fee.

Yours sincerely

*Grant Thornton*

Grant Thornton UK LLP  
Birmingham

**Appendix A - Details of claims and returns certified for 2017/18**

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	£74,662,773	No	No	No errors identified which required extended testing or reporting to DWP.



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## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Member Code of Conduct: Standards report

**Senior Officer:** Mark Taylor – Interim Executive Director Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of the report is to advise the Committee of the number and status of Member Code of Conduct complaints received in relation to Cheshire East Councillors and our Town and Parish Councillors.

### **2. Recommendation**

- 2.1. That the report be noted.

### **3. Reasons for Recommendation**

- 3.1. The Audit and Governance Committee is responsible for promoting high standards of ethical behaviour by developing, maintaining and monitoring the Member Code of Conduct.

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

- 4.1. Not applicable.

### **5. Report Detail**

- 5.1. This report provides details of complaints received in the period 1 September 2018 to 28 February 2019 (the “current reporting period”).
- 5.2. The details relating to complaints received prior to the current reporting period have been reported to the Committee previously. However, for completeness, there are 13 complaints which were received prior to the current reporting period which members can now be updated on. 12 of those relate to Cheshire East Members, with the remaining complaint having been lodged against a Town or Parish Council Member.
- 5.3. Of those 13 complaints carried over into this reporting period, 3 have been closed during this period. Of the 10 remaining ongoing cases, 4 are stayed

awaiting the outcome of associated referrals to the Police, and 1 is awaiting a decision to discontinue following the standing down of the subject member. The 5 remaining cases are all ongoing. 4 are awaiting either receipt of or a decision following receipt of the report of an appointed independent investigator. The final ongoing “carried over” case has passed preliminary assessment stage and its onward journey is currently being considered.

- 5.4. Turning now to the complaints received during the current reporting period, there have been 7. 5 in respect of Cheshire East Councillors and 2 in respect of a Town or Parish Councillor. One complaint in respect of a Town and Parish Councillor was rejected at preliminary assessment stage. 4 of the complaints lodged against Cheshire East Councillors were also rejected at preliminary assessment stage, and another was withdrawn by the complainant. The sole remaining ongoing complaint, against a Town or Parish Councillor, was received 4 days before the current reporting period closed, so has only just commenced the determination process.

- 5.4 The complaints in the current reporting period are broken down as follows:

Part A: General Obligations		No. received	
Paragraph		Borough	Town Parish
1	Selflessness	1	1
2	Integrity	3	0
3	Objectivity	5	0
4	Accountability	3	1
5	Openness, sub paragraph (a) transparency	2	0
	Openness, sub paragraph (b) disclosure	2	0
6	Honesty, sub paragraph (a) declaring interests	1	0
	Honesty, sub paragraph (b) use of resources	0	0
7	Respect for others, sub paragraph (a) courtesy	2	1
	Respect for others, sub paragraph (b) equality	0	0
	Respect for others, sub paragraph (c) impartiality	0	0
	Respect for others, sub paragraph (d) bullying	2	0
8	Leadership	4	1
9	Gifts and hospitality	0	0
Part B: registering and declaring pecuniary and non pecuniary interests			
	Failure to register or declare an interest	0	0

[Note: the numbers may not tally with the total number of complaints received as a Complainant may identify more than one breach of the code in a single complaint.]

- 5.5. Members will of course be aware that since 1 January 2018 a new complaints process has been in effect, whereby the Monitoring Officer can reject complaints if they do not meet a Preliminary Assessment Criteria,

which is designed to identify and dispose of complaints that have no prospect of being upheld.

- 5.6. This additional stage in the process was approved by Full Council as part of the Constitution Review and has proven to be extremely effective in ensuring that the resource available is focused on complaints which disclose short-comings in conduct which should quite properly be considered under the formal process.
- 5.7. Additionally, through agreement between the Monitoring Officer and Group Whips, a protocol has been piloted whereby a number of matters have been referred to the Group Whips by the Monitoring Officer to be dealt with at Group level. Previously, those matters would have been likely to have been formulated as formal complaints. With the exception of one self-referral into the standards process, this has resulted in matters being satisfactorily resolved with no formal complaints being lodged by Cheshire East Councillors or Officers in the current reporting period.

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

### **6.1. Legal Implications**

6.1.1. The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of Members whenever they act in their official capacity. The Code must also have a place in a suitable procedure at a local level to investigate and determine allegations against elected Members and co-opted Members.

6.1.2. The Council is also responsible for having arrangements in place to investigate and determine allegations against Town and Parish Councillors.

### **6.2. Finance Implications**

6.2.1. There is a cost to the authority when a complaint is referred for external investigation. In the current reporting period, no complaints have been referred for external investigation. Although of 5 of the remaining cases which are ongoing from the previous reporting period, there was cause to utilise the services of external investigators for a couple of cases.

### **6.3. Equality Implications**

6.3.1. There are no direct equality implications.

**6.4. Human Resources Implications**

6.4.1. There are no direct Human Resource implications.

**6.5. Risk Management Implications**

6.5.1. If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

**6.6. Rural Communities Implications**

6.6.1. There are no direct implications for rural communities.

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

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

**6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

**7. Ward Members Affected**

7.1 Implications are borough wide.

**8. Access to Information**

8.1. There are no background documents to this report.

**9. Contact Information**

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

Name: Mark Taylor

Job Title: Interim Executive Director Corporate Services

Email: [Mark.Taylor@cheshireeast.gov.uk](mailto:Mark.Taylor@cheshireeast.gov.uk)



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## **Audit & Governance Committee**

---

**Date of Meeting:** 14 March 2019

**Report Title:** Internal Audit Interim Report September – December 2018

**Senior Officer:** Mark Taylor, Interim Executive Director of Corporate Services

---

### **1. Report Summary**

- 1.1. The purpose of this report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2018/19, revisions to the plan, to summarise work undertaken to the end of December 2018 (see Appendix A) and to present the updated Internal Audit Charter for approval by the Committee (see Appendix B).

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Note the internal audit progress report; and
  - 2.1.2. Approve the updated Internal Audit Charter.

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

- 3.1. The Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.
- 3.2. The Internal Audit Charter (Appendix B) has been updated to ensure compliance with the Public Sector Internal Audit Standards.

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

- 4.1. Not applicable.

### **5. Background**

- 5.1. The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, "in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the

organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a 'no surprises' approach, as well as assist management in drafting the Annual Governance Statement".

- 5.2. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.
- 5.3. It should be noted that Internal Audit's risk based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 5.4. A report summarising the work undertaken, the issues identified and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant Executive Director. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Corporate Leadership Team and the Committee.
- 5.5. The Public Sector Internal Audit Standards, which define proper practice for public sector internal audit functions were introduced in 2013 and last updated in March 2017. In Internal Audit's self assessment against the Standards it was noted that whilst that the Charter largely fulfils the specific requirements of the PSIAS as outlined in the LGAN, it would benefit from greater clarification regarding the following to ensure full compliance:
  - Definition/nature of consultancy work and assurance work;
  - Responsibility of Board and senior officers in relation to Internal Audit, specifically the appointment, removal, appraisal and remuneration of the Head of Internal Audit and the budget and resource plans for the service;
  - Ensuring that the Charter reflects the current interim arrangements in relation to the management of the Internal Audit Service.



- 5.6. The Audit Charter has been reviewed and updated to address these suggested improvements and is attached as Appendix B to this report.

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

### **6.1. Legal Implications**

- 6.1.1. The requirement for an internal audit function flows from Section 151 of the Local Government Act 1972 requiring Councils to “make arrangements for the proper administration of their financial affairs” and the Accounts and Audit Regulations 2015 (Regulation 5) requiring a relevant body to “undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance”

### **6.2. Finance Implications**

- 6.2.1. There are no financial implications for this report.

### **6.3. Policy Implications**

- 6.3.1. Reporting progress to the Audit and Governance Committee on an interim basis and regular review and updating of the Internal Audit Charter ensures compliance with the Public Sector Internal Audit Standards and fulfils the Committee’s Terms of Reference.

### **6.4. Human Resources Implications**

- 6.4.1. As detailed in the interim report, the Principal Auditors are continuing in their acting up arrangements to cover the role and responsibilities of the Head of Internal Audit whilst the restructure progresses.

### **6.5. Risk Management Implications**

- 6.5.1. Failure to consider the effectiveness of the Council’s system of internal audit and the Internal Audit opinion on the Council’s control environment could result in non-compliance with the requirements of the Accounts and Audit Regulations 2015 and the requirements of the Public Sector Internal Audit Standards.

### **6.6. Rural Communities Implications**

- 6.6.1. There are no direct implications for rural communities.

### **6.7. Implications for Children & Young People/Cared for Children**

- 6.7.1. There are no direct implications for children and young people.

**6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

**7. Ward Members Affected**

7.1. All wards affected.

**8. Access to Information**

8.1. Cheshire East Council Internal Audit Plan 2018/19 – Approved by Audit and Governance Committee 15<sup>th</sup> March 2018.

8.2. [Public Sector Internal Audit Standards](#)

**9. Contact Information**

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

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Job Title: Principal Auditors

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[josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

# Internal Audit Interim Report 2018/19

September - December 2018

## 1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, this Internal Audit Interim Report 2018/19 contains “emerging issues in respect of the whole range of areas to be covered in the annual report.”
- 1.2. Internal Audit is required to form an annual opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues, and control failures which have been identified.
- 1.3. The interim report contains the following:
  - a summary of the audit work carried out in 2018/19 to date (Section 2)
  - any issues judged particularly relevant to the preparation of the Annual Governance Statement (AGS) (Section 3)
  - comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets (Table 2, Table 4 and Section 4)
  - comments on compliance with these standards and communication of the results of the internal audit quality assurance programme (Section 4 and Section 5)
  - other developments, including the Internal Audit Charter (Section 6)

## 2. Summary of Audit Work Undertaken

- 2.1. This is the second 2018/19 interim report on progress against the Internal Audit Plan.
- 2.2. During the period September to December 2018, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised a mix of risk based auditing, regularity, investigations and the provision of advice to officers. Annex 1 explains the variety of audit work undertaken to support the annual audit opinion.
- 2.3. During the year, several members of the internal audit team have increased their contractual hours to increase capacity and ensure completion of sufficient core assurance work to ensure the provision of the annual Internal Audit Opinion.
- 2.4. The Audit Plan has therefore been reviewed and restated in order to reflect this additional capacity. This is reflected in Table 2 on page 4 of this report.

### Assurance Work

- 2.5. Internal Audit’s risk based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.

- 2.6. A summary of the final reports issued to the end of December 2018, by the audit assurance opinion given is included below:

**Table 1: Reports to date by assurance level**

Assurance Level	2018/19 (to 31/12/2018)	2017/18 Full Year
Good	0	8
Satisfactory	4	10
Limited	5	7
No Assurance	2	1
<b>Total</b>	<b>11</b>	<b>26</b>

- 2.7. It should be noted that although the number of assurance reports issued as at 31 December 2018 is significantly lower than the full year total for 2017/18, it is expected that at least 12 more reports will be issued during quarter 4. Details of these ongoing pieces of work are provided in section 6 on page 16 of this report.
- 2.8. A summary comparison of the 2018/19 Audit Plan with actuals for the year to 31 December 2018 is shown below in **Table 2**, with comments on variances.

Table 2: Summary Comparison of Audit Plan 2018/19 and Actuals

Area of Plan		Original Plan		Revised Plan		Actuals (to 31/12/18)		Comments on coverage
		Days	%	Days	%	Days	%	
<b>Chargeable Days</b>		<b>1,184</b>		<b>1308</b>		<b>968</b>		
Less: Corporate Work		160		160		113		Minimised/reduced work where possible to prioritise investigation work.
<b>Available Audit Days:</b>		<b>1,024</b>	<b>100%</b>	<b>1148</b>	<b>100%</b>	<b>855</b>	<b>100%</b>	
Corporate Governance and Risk		120	12%	134	12%	63	7%	Additional work planned in Q4
Anti-Fraud and Corruption	Proactive Reviews	40	4%	45	4%	51	6%	Coverage in line with plan
	Reactive Investigations	50	5%	56	5%	126	15%	Includes counter fraud investigations.
Corporate Services	Key Financial Systems	145	14%	162	14%	123	14%	Coverage in line with plan
	Corporate Core & Cross Service	255	25%	286	25%	162	19%	Additional work planned in Q4
Children and Families		64	6%	72	6%	53	6%	Coverage in line with plan
Adult's Social Care		65	6%	72	6%	46	5%	Coverage in line with plan
Community and Partnerships		15	1%	17	1%	2	1%	Coverage in line with plan
Public Health		15	1%	17	1%	0	0%	Additional work planned in Q4
Planning and Sustainable Development		20	2%	22	2%	8	1%	Coverage in line with plan
Infrastructure and Highways		30	3%	34	3%	10	1%	Coverage in line with plan
Growth and Regeneration		40	4%	45	4%	102	12%	Includes work relating to land transactions.
Rural and Green Infrastructure		15	1%	17	1%	6	1%	Coverage in line with plan
Providing Assurance to External Organisations		40	4%	45	4%	16	2%	Coverage in line with plan
Advice & Guidance		30	3%	34	3%	19	2%	Coverage in line with plan
Other Chargeable Work		80	9%	90	9%	68	8%	Coverage in line with plan
<b>Total Audit Days</b>		<b>1,024</b>	<b>100%</b>	<b>1148</b>	<b>100%</b>	<b>855</b>	<b>100%</b>	

- 2.9. Details of the reports produced to the end of December 2018 are included in **Table 3**, which includes details of the audit assurance opinion given in each report. Where the opinion given was Limited or No Assurance, a summary of key findings and actions has been provided.
- 2.10. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 2.11. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal Audit continues to obtain assurance that actions have been implemented, especially those deemed high priority.
- 2.12. Where a final report is issued with a “Limited” or “No Assurance” opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 2.13. With the exception of one item, all actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and Final reports are shared with the relevant Executive Director and the Council’s External Auditor.
- 2.14. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.

Table 3: Summary of Final Assurance Reports 2018/19 to 31<sup>st</sup> December 2018

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Revenue Budget Monitoring	Identified via Planning Process	Satisfactory	All actions and timescales for implementation agreed	N/A
Free School Meals	Identified via Planning Process	Satisfactory	All actions and timescales for implementation agreed	N/A
Visitor Attraction – Tatton Park	Identified via Planning Process	Limited	All actions and timescales for implementation agreed	<p>The objective of the review was to provide assurance on the effectiveness of controls in place around financial control in the establishment; management of income and expenditure, staffing expenses and inventory management.</p> <p>The review concluded that;</p> <ul style="list-style-type: none"> <li>- The reconciliation of income processes could be improved.</li> <li>- The Scheme of Financial Delegation needs to be updated.</li> <li>- Consistency is needed in the application of controls on the authorisation of purchase card transactions and employee expenses.</li> <li>- The establishment needs a complete equipment register, including ICT and non ICT items; a full inventory of artefacts is in place.</li> </ul>
External Moderation Arrangements	Identified via Planning Process	Limited	3 actions and timescales for implementation agreed	The purpose of the review was to provide assurance on the controls in place to manage the risk of the Council not having provision for and a system in place for moderating teacher assessments at its maintained schools, therefore not complying with its



## Internal Audit Interim Report 2018/19 (September – December 2018)

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
			1 action not agreed	<p>statutory requirements.</p> <p>The review identified inconsistencies in the design and application of controls in place. Whilst the Council has provision for moderating teacher assessments it could improve on consistency of retaining records of attendance on supporting documentation.</p> <p>Whilst there is a system in place to moderate the assessments, the application of controls in relation to the sample sizes of tests was inconsistent.</p>
Section 106	Identified via Planning Process	Limited	<p>21 actions and timescales for implementation agreed</p> <p>1 action not agreed</p>	<p>The objective of the view was to review the adequacy of controls around the requests, collection, management, implementation and expenditure of Section 106 schemes undertaken by the Council and its Wholly Owned Companies.</p> <p>The review concluded that Section 106 agreements are not being effectively managed due to significant resource constraints, an inadequate IT monitoring system and a lack of policy and procedures.</p> <p>Furthermore only financial obligations are included within the monitoring spreadsheet, and non financial obligations (excluding affordable housing) are going unmonitored.</p>
Performance Management and Reporting – Statutory Returns	Identified via Planning Process	Limited	All actions and timescales for implementation agreed.	This review was undertaken to provide assurance on the arrangements in place to manage the risk of data for statutory returns not being collected in a complete, accurate and timely manner.

## Internal Audit Interim Report 2018/19 (September – December 2018)

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
				<p>The Council is required to complete nearly 140 separate data returns, as well as further returns for grants and other programmes.</p> <p>The review identified a wide variety of practices in place, and whilst staff were aware of, and met deadlines for the returns, and all were subject to some form of supervisory review, there were a number of improvements recommended.</p> <p>These included developing local procedural guidance, to introduce a risk based approach to the appropriate level of control and scrutiny, restricting access to the working papers and drafts of potentially high risk returns, and ensuring detailed validation and cleansing in the preparation of the return.</p>
Travel Booking System	Identified via Planning Process	No Assurance	All actions and timescales for implementation agreed	<p>The objective of the review was to provide assurance on the effectiveness of the controls in operation to prevent the unauthorised access and use of the travel booking system.</p> <p>The review identified lack of control in the authorisation of bookings, weak system access controls and a lack of monitoring of system usage.</p>
Highways Procurement Project	Identified via Planning Process	Satisfactory	All actions and timescales for implementation agreed	N/A
Schools HR Team	Identified via Planning Process	Satisfactory	All actions and timescales for implementation	N/A

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Early Help Individual Payments Short Breaks	Review of new system as requested by Management	Limited	<p>agreed</p> <p>All actions and timescales for implementation agreed</p>	<p>The provision of short breaks to parent carers of disabled children was selected as a pilot for the use of preloaded cards and internal audit were asked to provide assurance as to the effectiveness of the controls in place to manage this activity.</p> <p>The review concluded that there were opportunities to improve the control environment and enhance the process to ensure that the benefits of preloaded cards are maximised for both carers and the Council. It also identified areas for improvement relating to the wider EHIP process that were not related to the use of cards.</p> <p>The service have indicated that all actions have been implemented and a follow up is scheduled to review the High level actions in accordance with our follow up procedure.</p>
Historic Land Transactions - Consolidated Findings	Identified via Planning Process	None	All actions and timescales for implementation agreed	<p>The detailed review of individual historic land transactions identified various control weaknesses within the arrangements for the acquisition and disposal of land. These weaknesses were pulled together to ensure that they were addressed in a single report which identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• Document and Data Management</li> <li>• Decision Making</li> <li>• Professional Advice</li> <li>• Policies and Procedures</li> <li>• Project Management Oversight</li> <li>• Valuations, surveys and overages</li> <li>• Timescales</li> </ul>

## School Audits

- 2.15. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
  - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 2.16. The School's Audit Programme for 2018/19 continued from 2017/18 and was designed to ensure that coverage of all schools not yet audited, since the responsibility for undertaking SFVS assurance work returned to the Internal Audit team, will be achieved by the end of 2018/19.
- 2.17. The School's Audit Programme for 2018/19 continued the thematic review on the effectiveness of governance arrangements at 21 schools.
- 2.18. As at the end of December 2018, 13 visits had been completed with the remaining 8 audit visits scheduled to be completed in quarter 4.
- 2.19. Individual reports are produced and issued to schools detailing any areas of weakness identified along with any actions required to address these weaknesses and improve the control environment. Since 2017/18 we

have included an assurance opinion on the arrangements, in line with other audit reports issued.

- 2.20. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.21. Findings from all areas will inform a consolidated schools report which provides assurance to the Section 151 Officer and the Director of Education and 14-19 Skills. This will also inform the completion of the Annual Assurance Statement completed by the Section 151 Officer.

## Supporting Corporate Governance

- 2.22. Internal Audit has continued to support and facilitate the monitoring of issues raised in the 2017/18 Annual Governance Statement (AGS), update of the associated AGS Action Plan and development of the proposed process for production of the 2018/19 AGS.
- 2.23. A detailed update on the AGS was provided to Members at the December 2018 meeting of the Committee.

## Counter Fraud and Investigations

- 2.24. A number of investigations into financial irregularities were reported to the Committee in the 2017/18 Internal Audit Annual Report. In the period under review,

Internal Audit has continued to provide support in managing these cases to completion. This includes support to disciplinary processes and liaison with the police.

2.25. It is now possible to report the following outcomes relating to three of those investigations:

- A former finance officer at a primary school pleaded guilty to fraud by abuse of position and was sentenced to a 12 month sentence suspended for two years, 200 hours unpaid work and a 3 month curfew.
- A former senior support worker pleaded guilty to fraud by false representation and was sentenced to 100 hours unpaid work.
- A decision was taken by the CPS not to prosecute a third former officer for fraud by false representation.

2.26. As previously reported to the Committee, detailed reviews of various historic land related transactions have been undertaken. This work continued during the period and, in order to ensure that all identified control weaknesses are addressed, a consolidated findings report was issued.

2.27. A detailed follow up of this report will be undertaken during April 2019 to seek assurance that current arrangements for the management of land transactions are robust and operating effectively.

2.28. During the period, Internal Audit successfully coordinated the Council's participation in the 2018/19 National Fraud Initiative (NFI) data matching exercise.

2.29. This is a biennial exercise that matches wideranging data sets across public sector bodies to identify potential fraud. Examples of matches would include the register of deaths against care home residents and payroll records against housing benefit records.

2.30. In addition to preparing for the main exercise, work was also undertaken to ensure that the appropriate services were prepared for the annual flexible matching exercise which involves Council Tax and Electoral Role data and took place during December 2018.

2.31. This required liaison with a wide range of services across the Council and its ASDV's to ensure that data was extracted from key systems in the correct format, and securely uploaded to the Cabinet Office website within prescribed timescales.

2.32. Results were released by Cabinet Office during January 2019 and work is now underway to ensure that services are prepared for the investigation of these matches.

### **Consultancy and Advice**

2.33. Internal Audit has continued to support management with the provision of advice, where specifically

requested by management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.

- 2.34. Advice and guidance provided during the period has included interpretation of HR policies, use of online donation pages for fundraising and appropriate use of purchase cards.

### Grant certifications

- 2.35. Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 2.36. In 2018/19 to date, this has included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Grant Certified	£
Family Focus (year to date)	418,400
Crewe Green Roundabout	2,767,000
Sydney Road Bridge	2,168,000
CWLEP Growth Hub Grant 17-18	287,000
Crewe High Speed Heart Ready 2018	480,000
A500 Dualling Grant	1,815,000
Bus Subsidy Ring Fenced Grant	347,865
<b>Total</b>	<b>8,283,265</b>

### Implementation of Audit Recommendations

- 2.37. Internal Audit continually carries out a range of follow up exercises to ensure recommendations are implemented. This work is done in a number of different ways:
- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee.
  - Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management.
  - Formal assurance audits; recommendations are monitored in line with our follow up process.
- 2.38. Audits with 'limited' or 'no' assurance are subject to more detailed review. In addition, key systems (e.g. Payroll, Accounts Payable) are audited on a regular, cyclical basis with recommendations followed up as part of the work.
- 2.39. The Committee have previously been advised of the work undertaken by Internal Audit, supported by senior management to raise the profile of audit recommendations. This has included the agreement of "SMART" recommendations and the inclusion of performance measures in the Corporate Scorecard.
- 2.40. This saw clear improvement in the overall implementation of audit recommendations over

2016/17 and 2017/18. The implementation of agreed recommendations for reports issued in 2017/18 and 2018/19 to date is detailed in the table below.

**Table 4: Implementation of agreed recommendations as at 31<sup>st</sup> December 2018**

On time	After the agreed date	Total implemented	In progress, part implemented or overdue	Superseded or no longer valid
<b>2017/18</b>				
80%	16%	96%	4%	0%
<b>2018/19</b>				
81%	10%	91%	9%	0%

2.41. Figures for 2017/18 have been updated from those reported in the Annual Audit Report to reflect actions due for implementation in 2018/19 so far.

2.42. As per the internal audit plan for year, Internal Audit have been working to a target of 90% of agreed audit actions implemented, and 75% implemented within agreed timescale. It is pleasing to report that the figures from reports issued in 2018/19 continue to exceed this target.

2.43. The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve.

2.44. Internal Audit continues to work with senior managers to improve this important indicator, to include the escalation, to CLT, of common themes or emerging patterns in relation to agreed recommendations (high and medium rated) that are not being progressed as necessary.

### **Reliance placed on the work of other assurance bodies**

2.45. Internal Audit place assurance on the work of the Council's external auditors, OFSTED, and other external inspectorates where appropriate.

## **3. Annual Governance Statement**

3.1. Each year the Council produces an Annual Governance Statement that explains how it makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the Annual Governance Statement.

3.2. The findings and opinions of 2018/19 Internal Audit work will be considered in preparing the 2018/19 AGS. The contents of this interim report will form part of that process.

3.3. The December 2018 meeting of the Audit and Governance Committee considered a detailed update on progress against the issues and actions identified



within the 2017/18 AGS along with a plan for the production of the 2018/19 statement.

#### 4. Internal Audit Performance

- 4.1. Internal Audit's performance is measured against a number of performance indicators which are detailed in Table 5. The performance relating to the implementation of recommendations is detailed earlier in this report.

**Table 5: Performance Indicators to date**

Performance Indicator	2018/19 Actual	2018/19 Target	2017/18 Actual	Comments on 2018/19 Actuals
% of Audits completed to user's satisfaction	97%	94%	95%	Above target
% of significant recommendations agreed	98%	95%	97%	Above target.
Productive Time (Chargeable Days)	82%	85%	86%	Support to the restructure has impacted on this indicator.
Draft report produced promptly (per Client Satisfaction Form)	96%	95%	89%	Above target

#### 5. Compliance with the Public Sector Internal Audit Standards

- 5.1. As reported to the Committee in September 2018, the external assessment of the Internal Audit function

against the Public Sector Internal Audit Standards concluded partial compliance with the Standards.

- 5.2. A detailed Action Plan was agreed with the assessors as part of the review and work has continued to implement these recommended actions. This has included a detailed review and update of the Internal Audit Charter which is presented to this Committee for approval.
- 5.3. Further progress against the action plan will be reported to future meetings of the Committee to provide assurance that all actions required to ensure full compliance with the Standards have been successfully implemented.

#### 6. Ongoing and Forthcoming Areas of Work

- 6.1. The following audits commenced during the period, with work ongoing at the time of reporting:
- Corporate Risk Management Arrangements
  - Salary Overpayments
  - ERP Replacement – Phase 3
  - ASDV – Fulfilment of Statutory Obligations
  - Constitution Review
  - Data Centre Security
  - Dedicated Schools Grant
  - Direct Payments
  - Provider Invoices
  - Development Control – information governance
  - Event Management
  - LEP Local Assurance Framework



- 6.2. In addition to completing the planned work relating to 2018/19, have prepared the Audit Plan for 2019/20. The plan will need to carefully balance statutory responsibilities and risk with the resources available within the team.
- 6.3. The proposed internal Audit Plan for 2019/20 will be presented to the March 2019 meeting of this Committee for consideration and approval.

## 7. Other Developments

- 7.1. The Principal Auditors have continued in their acting up arrangements to deliver the roles of the Corporate Manager Governance and Audit, and the Internal Audit Manager over the period in review. This ensures that the responsibilities of the Head of Internal Audit have been covered during the period under review. Additional hours have also been undertaken by some members of the team.
- 7.2. As reported to Committee earlier in the year, the restructure of the Internal Audit function has been subsumed into a wider restructure of the Corporate Services directorate.
- 7.3. The Principal Auditors have supported the process as required in addition to their other responsibilities.

Summary of Audit Work which supports the Annual Audit Opinion		
Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Corporate Leadership Team
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Counter Fraud and Investigations	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of data extract, submission and investigation of matches.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator (see: Implementation of Audit Recommendations)

# Internal Audit

## Internal Audit Charter

February 2019

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**Document Control**

<b>Organisation</b>	Cheshire East Council
<b>Author</b>	Josie Griffiths/Michael Todd
<b>Subject</b>	Internal Audit: Internal Audit Charter
<b>Protective Marking</b>	Official
<b>Review Date</b>	March 2020 or earlier if required.

**Revision History**

<b>Revision Number</b>	<b>Reviser</b>	<b>Previous Version</b>	<b>Description of Revision</b>	<b>Date of Revision</b>
1.0	JG	N/A	First Draft	December 2017
2.0	JG	1.0	Amendments required following external assessment report, plus additional content to improve quality of document.	October 2018
2.1	MT	2.0	Updated to reflect comments from CLT and provide greater clarity regarding responsibility of management.	February 2019

### Document Approvals

Board/Committee Approval	Date
Audit and Governance Committee	07/12/2017 (Version 1.0)
Audit and Governance Committee	<i>For consideration</i> 14/03/2019 (Version 2.1)

### Associated Documentation

Public Sector Internal Audit Standards (2017)  
CIPFA: The Role of the Head of Internal Audit (2010)  
CIPFA: Practical Guidance for Audit Committees (2018)  
CIPFA: The Excellent Internal Auditor (2006)

Cheshire East Council – Constitution

## 1. Purpose of the Charter and Internal Audit's Mission

- 1.1. The Internal Audit Charter outlines the framework in which Cheshire East Council's internal audit service operates; defining its purpose, authority and responsibility and its obligations to meet the Public Sector Internal Audit Standards (PSIAS). The charter sets out Internal Audit's position within the organisation, and the arrangements for functional and administrative reporting.
- 1.2. The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.
- 1.3. Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of Cheshire East Council. It assists the Council in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.
- 1.4. The Internal Audit Charter will be subject to periodic review by the Head of Audit and Risk, as Chief Audit Executive, and presented to the Corporate Leadership Team and the Audit and Governance Committee for approval.

## 2. Statutory Basis

- 2.1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which states that a relevant body must:

‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
- 2.2. In addition, the need for an internal audit function is implied by Section 151 of the Local Government Act 1972, which states that local authorities are required to “make arrangements for the proper administration of their financial affairs”
- 2.3. The standards in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2017 [‘the Standards’].
- 2.4. The Council's Constitution establishes Internal Audit's role and rights of access as required in carrying out any engagement.

### 3. Definitions

- 3.1. For the purpose of this Charter, the following definitions of terms used in the Standards apply;

**Board**

*The Council's Audit and Governance Committee*

**Chief Audit Executive**

*The Role of the Chief Audit Executive is undertaken by the Head of Audit and Risk*

**Senior Management**

*Senior Management is defined as the Corporate Leadership Team*

**Management**

*Management is defined as Heads of Service*

**Section 151 Officer**

*The Section 151 Officer is required to ensure that appropriate arrangements are made for the provision of an internal audit service in accordance with the requirements of the Accounts and Audit Regulations 2015*

**Monitoring Officer**

*The Council's Director of Governance and Compliance Services has the role of Monitoring Officer.*

### 4. Ethics and Professionalism

- 4.1. Internal Audit will govern itself by adherence to 'the Standards'. The mandatory Standards constitute the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of Internal Audit's performance.
- 4.2. The Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN) will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to Cheshire East Council's relevant policies and procedures and the Internal Audit Manual.
- 4.3. Internal audit staff must adhere to the Code of Ethics established by the Standards and adopted by the Council (Appendix A). Internal Audit officers are also governed by the ethical codes of the professional bodies to which they belong, and to the Council's Code of Conduct for all employees.



- 4.4. The Internal Audit officers are reminded of the need to comply with the Code of Ethics on an annual basis, and complete a Code of Ethics declaration form on an annual basis. Staff are also required to declare any real or perceived impairment to their independence in undertaking any specific engagements.
- 4.5. The Standards outline ten Core Principles for internal audit activity, which must be achieved in order to demonstrate the effective operation of the internal audit function;
- Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence
  - Aligns with the strategies, objectives and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk based assurance
  - Is insightful, proactive and future focused
  - Promotes organisational improvement
- 4.6. The arrangements set out in this Charter demonstrate how the Council's Internal Audit Service meets these core principles.

## **5. Authority, Independence and Objectivity**

- 5.1. Internal Audit, in accordance with the Accounts and Audit Regulations, the Council's Constitution and with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access, without necessarily giving prior notice, to any and all of Cheshire East Council's records, physical properties, and personnel pertinent to carrying out any engagement, or other matters under investigation.
- 5.2. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.
- 5.3. Where the Council works in partnership with other organisations, or undertakes work for other organisations, the role of Internal Audit and its rights of access should be set down in the relevant partnership agreements, and where not specified, should be agreed in advance by discussion with partners.
- 5.4. The Head of Audit and Risk has direct access to the Council's Chief Executive, all levels of management, the Chair of the Audit and Governance Committee and the Leader of the Council.

- 5.5. Internal Audit will also have free and unrestricted access to the Audit and Governance Committee.
- 5.6. Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The Head of Audit and Risk has a duty under the Standards to disclose any such interference and its implications to the Audit and Governance Committee.
- 5.7. Any assurance activity in areas where the Head of Audit and Risk has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Executive Director of Corporate Services, thus maintaining independence and objectivity in line with the 'the Standards'.
- 5.8. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 5.9. The Head of Audit and Risk will confirm to the Audit and Governance Committee, at least annually, the organisational independence of Internal Audit.

## **6. Organisation**

- 6.1. The Head of Audit and Risk will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Executive Director of Corporate Services, who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972 for ensuring an effective system of internal financial control and proper administration of the Council's affairs.
- 6.2. The Executive Director of Corporate Services will be responsible for ensuring that the Head of Audit and Risk is managed in accordance with the Council's HR Policies and Procedures.
- 6.3. In order to safeguard the independence of the Head of Audit and Risk, and to ensure that remuneration and performance assessments are not inappropriately influenced by those subject to audit, the Chief Executive will provide feedback to, and countersign the performance appraisal of the Head

of Audit and Risk. Feedback will also be sought from the Chair of the Audit and Governance Committee.

- 6.4. The Head of Audit and Risk will have free and unfettered access to the Chief Executive, who carries the responsibility for the proper management of the Council and ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.5. The Head of Audit and Risk has direct access to the Council's Monitoring Officer where matters arise relating to responsibilities of the Chief Executive, legality, and standards.
- 6.6. The Head of Audit and Risk will communicate and interact directly with the Chair of the Audit and Governance, or other elected Members of the Council, particularly those who serve on committees charged with governance (for example, the Audit and Governance Committee).
- 6.7. The resources required by the Internal Audit function, including staffing of the team, is determined by the Internal Audit Plan, and is subject to ongoing review and consideration by the Head of Audit and Risk to ensure it remains adequate to deliver an effective service and an annual opinion. The Audit and Governance Committee will be advised by the Corporate Manager should the level of audit resources available in any way limit the Internal Audit service's ability to deliver a service consistent with its statutory requirements.

## **7. Responsibilities**

- 7.1. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.
- 7.2. The Head of Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 7.3. Under the Accounts and Audit Regulations, the Council is responsible for ensuring that it has a sound system of internal control, which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensure that the financial and operational management of the

authority is effective and includes effective arrangements for the management of risk.

- 7.4. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The provision of assurance is, therefore, the primary role for internal audit. The nature of assurance work undertaken will include;
- All council systems, processes, policies, plans and procedures
  - Use of, and the safeguarding of, resources and assets, including information.
  - Governance and risk management processes
  - Commissioning and procurement
  - Projects and programmes
- 7.5. Internal Audit may also undertake non-assurance work including fraud related and consultancy work, at the request of the organisation, and work for other bodies, subject to there being no impact on the core assurance work and the availability of skills and resources (*see later sections*). External assurance work will result in an assurance report containing recommendations, to the organisation's senior management and Board.
- 7.6. The Head of Audit and Risk will be made aware of major new systems and proposed initiatives. The Head of Audit and Risk will consider what, if any, audit work needs to be done to help ensure risks are properly identified and evaluated and appropriate controls built in.
- 7.7. Audit advice is given without prejudicing the right of Internal Audit to review and recommend further action on the relevant policies, procedures, controls and operation at a later date.
- 7.8. It should be noted that the existence of Internal Audit does not diminish management's responsibility to establish systems of internal control to ensure that activities are conducted in a manner which promotes the economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 7.9. Responsibility for responding to the advice and recommendations made by the Internal Audit service lies with Management who should either accept and implement the advice, or accept the risks associated with not taking action.
- 7.10. The Audit and Governance Committee will:
- Approve the Internal Audit Charter
  - Approve the risk based annual internal audit plan.

- Receive communications from the Head of Audit and Risk on Internal Audit's performance relative to its plan and other matters.
- Make appropriate enquiries of management and the Head of Audit and Risk to determine whether there is inappropriate scope or resource limitations.
- Receive the Annual Internal Audit Report

## **8. Internal Audit's role in Consultancy Work**

### **8.1. The Standards define consultancy services as**

"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."

### **8.2. Cheshire East Council's Internal Audit Plan will identify which engagements fall within this definition. The scope of any consultancy work will be agreed with Management and will only be undertaken where resources allow and not to the detriment of the annual audit assurance process. When carried out, consultancy work will inform the annual opinion. In line with the Standards, agreement will be sought from the Audit and Governance Committee before any significant unplanned consultancy work is accepted.**

## **9. Internal Audit's role in Fraud Related Work**

### **9.1. Managing the risk of fraud and corruption is the responsibility of Management although Internal Audit will assist in the discharge of this responsibility. The process of internal audit alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected, however, internal audit staff will be alert in all engagements to risks which could increase the likelihood of fraud and corruption occurring.**

### **9.2. The Head of Audit and Risk will be informed of all suspected or detected fraud, corruption or impropriety to inform their opinion on the internal control environment and Internal Audit's work programme.**

### **9.3. At the request of Management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud and corruption. This will be subject to there being no impact on the core assurance work and the availability of skills and resources.**

## **10. Internal Audit Plan**

- 10.1. At least annually, the Head of Audit and Risk will submit to the Corporate Leadership Team and the Audit and Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year.
- 10.2. The Head of Audit and Risk will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit and Governance Committee. In the event that the audit plan identifies a need for further audit work to be carried out than existing resource allows, the Head of Audit and Risk will identify the shortfall, and advise the Chief Executive, the Corporate Leadership Team and the Audit and Governance Committee as necessary to assess the associated risks, and to recommend additional resources are identified.
- 10.3. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Corporate Leadership Team and the Audit and Governance Committee.
- 10.4. The Head of Audit and Risk will review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Corporate Leadership Team and the Audit and Governance Committee through periodic activity reports.

## **11. Reporting and Monitoring**

- 11.1. A written report will be prepared and issued by the Head of Audit and Risk or designee following the conclusion of most internal audit assignments and will be distributed as appropriate. Draft reports will be issued in the first instance to the responsible manager to agree the factual accuracy of findings. Final reports will be issued to Heads of Service, Directors and Executive Directors to ensure oversight of findings and recommended actions. Summary findings will also be communicated to the Audit and Governance Committee where a Limited Assurance or No Assurance opinion is given.
- 11.2. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for the

anticipated completion of any action to be taken and an explanation for any corrective action that will not be implemented.

- 11.3. Where a responsible manager does not agree with a finding, or wishes to implement an action which Internal Audit believe will not fully mitigate the risk or issue identified, Internal Audit will, where necessary, escalate this to a manager within the organisation who is sufficiently senior to accept the level of risk exposure associated with the decision.
- 11.4. Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations.
- 11.5. The Head of Audit and Risk will periodically report to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters required or requested by the Corporate Leadership Team and the Audit and Governance Committee.
- 11.6. In line with 'the Standards', the Annual Internal Audit Report prepared for the Audit and Governance Committee will incorporate the annual internal audit opinion, which will inform the Annual Governance Statement. The annual opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control, and the report should explain the assurances considered in arriving at the opinion. The annual report should also include a statement on conformance with 'the Standards' and the results of the Quality Assurance and Improvement Programme.

## **12. Quality Assurance and Improvement Programme**

- 12.1. Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of Internal Audit's conformance with the Definition of Internal Auditing and 'the Standards' and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 12.2. The Head of Audit and Risk will communicate to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including results of ongoing

internal assessments and external assessments conducted at least every five years.

### **13. Interim Management Arrangements**

- 13.1. Since April 2016, the Internal Audit service has been operating under interim management arrangements due to vacancies in the following posts:
- Head of Audit and Risk
  - Audit Manager
- 13.2. During this period, the roles and responsibilities of the vacant posts have been fulfilled by the 2 Principal Auditors on an 'acting up' basis. This approach was validated with both the Council's external auditor and CIPFA's governance team and has been clearly communicated to both senior management and Audit and Governance Committee.
- 13.3. In addition to the acting up arrangements within Internal Audit, the role of Section 151 Officer is currently being undertaken by the Head of Finance and Performance.
- 13.4. These arrangements will continue until the proposed restructure of Corporate Services is implemented on 1 April 2019 and until the relevant posts have been recruited to.



## Internal Audit - Code of Ethics

The Code of Ethics contained in section 6 of the Public Sector Internal Audit standards (2017) (PSIAS) promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

### 1. Introduction

- 1.1 Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out at section 6 of the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk).
- 1.2 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. A Code of Ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.
- 1.3 The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

#### Components

- 1 Principles that are relevant to the profession and practice of internal auditing.
  - 2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.
- 1.4 The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members; members of the Relevant Internal Audit Standard Setters; and those who provide internal auditing services within the definition of internal auditing.
  - 1.5 The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

### 2. Applicability and Enforcement

- 2.1 This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.
- 2.2 This Code of Ethics sets the minimum standards for the performance and conduct of internal audit staff (including any persons provided by any external organisation to deliver any of the audit service). It is intended to clarify the standards of conduct expected by the Council from internal auditors when carrying out their duties.
- 2.3 This code does not supersede or replace the requirement on individuals to comply with ethical codes issued by professional institutes of which they are members or students nor any organisational codes of ethics or conduct.
- 2.4 Neither does it supersede or override any of the internal policies of Cheshire East Council. In the event of any conflict, those internal policies shall apply.
- 2.5 Each person undertaking internal audit duties on behalf of the Council will be required to sign the attached statement and make any relevant declarations on an annual basis.
- 2.6 There are four main principles:
- Integrity
  - Objectivity
  - Confidentiality
  - Competency

### **3. Integrity**

#### **3.1 Principle**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

#### **3.2 Rules of Conduct**

Internal auditors:

- Shall perform their work with honesty, diligence and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## **4. Objectivity**

### **4.1 Principle**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

### **4.2 Rules of Conduct**

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- Shall not accept anything that may impair or be presumed to impair their professional judgement.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## **5. Confidentiality**

### **5.1 Principle**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### **5.2 Rules of Conduct**

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

## **6. Competency**

### **6.1 Principle**

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

## 6.2 Rules of Conduct

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- Shall continually improve their proficiency and effectiveness and quality of their services.

## 7. Achieving compliance with this code

- 7.1 On an annual basis, internal auditors must sign an undertaking, which confirms that they are fully conversant with their ethical responsibilities and will comply fully with these requirements when discharging their day-to-day duties.

## 8. Maintaining audit independence

- 8.1 Internal audit staff must declare potential conflicts of interest on an annual basis or as they arise, so as to avoid staff being assigned to work in areas where their independence may be comprised.
- 8.2 Internal auditors will not be permitted to carry out audits in an area where they have had previous operational roles within the preceding 12 months.
- 8.3 The Head of Audit and Risk will receive all declarations made by internal auditors and will ensure that this information is taken into account when audit work is allocated to individuals.
- 8.4 The Corporate Manager's declarations will be submitted to the Interim Executive Director of Corporate Services
- 8.5 The Corporate Manager will ensure that audit assignments are properly rotated within the audit team in order to avoid lack of objectivity or complacency due to familiarity and to encourage development of experience within the team.

## 9. Securing integrity

- 9.1 Quality control processes exist within the audit service to identify whether team members are acting with integrity.

## 10. Demonstrating competence

- 10.1 All internal auditors must be aware of and understand:
- The Council's aims, objectives, risk and governance arrangements;
  - The purpose, risks and issues affecting the area/activity to be audited;

- The terms of reference for the audit assignment to ensure a proper appreciation of the scope of the review,
- Relevant legislation and other regulatory arrangements that relate to the area/activity to be audited, including the Council's Finance and Contract Procedure Rules, third party agreements, internal strategies, policies, procedural notes.

**11. Observing confidentiality**

- 11.1 A breach of confidentiality by an internal auditor may result in appropriate disciplinary action being taken.

**Annual Declaration**

I have read the Public Sector Internal Audit Standards (PSIAS), adopted by Cheshire East Council which set out at section 6 the Code of Ethics for Internal Audit staff. I understand that I am required to conform to the PSIAS Code of Ethics and to demonstrate integrity, objectivity, competence and confidentiality in the discharge of my duties at the Council, as outlined therein. I acknowledge those responsibilities and will fully comply with these requirements whilst working for the Council.

I understand that this Code of Ethics does not supersede nor override:

- the requirement placed upon me to comply with ethical codes issued by the professional institute to which I belong, where applicable.
- any other internal policies of the Council and in the event of a conflict those internal policies shall apply.

I confirm that I have declared:

- any conflicts of interests which could adversely affect my independence and objectivity.
- any areas of the Council in which I have held an operational role within the preceding 12 months.
- any relatives or close associates who are either employed by or are a Councillor of Cheshire East Council.
- the nature of any involvement in organisations that provide goods or services to, or have some other kind of formal arrangement with the Council.

I am aware of and understand that I must be conversant with:

- The Council's aims, objectives, risk and governance arrangements;
- The purpose, risks and issues affecting the area/activity to be audited;
- The terms of reference for audit projects assigned to me;
- The relevant legislation and other regulatory arrangements that relate to the area/activity to be audited, including the Council's Finance and Contract Procedure Rules, third party agreements, internal strategies, policies, procedural notes.

**Signed:** .....

**Name (to be printed):** .....

**Date:** .....



*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Draft Internal Audit Plan 2019/20

**Senior Officer:** Mark Taylor, Interim Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2019/20.
- 1.2. The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which takes into account the need to produce an annual internal opinion. The opinion is a key source of assurance for the Annual Governance Statement which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.
- 1.3. The preparation and delivery of the Annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement are key indicators and contributors for the Council's corporate objective of being a responsible, effective and efficient organisation.

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Approve the Internal Audit Plan 2019/20
  - 2.1.2. Note that the plan will be developed and refined throughout the forthcoming year as a number of factors progress and the impact on the current structure and level of resource become known.

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

- 3.1. The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the production of an annual internal audit plan.
- 3.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

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

- 4.1. Not applicable.

### **5. Background**

- 5.1. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards. The Standards state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit and Risk (as "Chief Audit Executive") to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 5.2. The planning process and risk assessment is detailed in Appendix A. Through this additional and thorough consultation we look to ensure that internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.
- 5.3. Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and prioritised accordingly; the proposed risk-based summary internal audit plan for 2019/20 is included in Appendix A.
- 5.4. In accordance with PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team has been consulted on the plan prior to presentation to the Audit and Governance Committee.
- 5.5. In accordance with the Council's Internal Audit Charter, the Audit and Governance Committee is asked to review and approve the summary internal audit plan 2019/20. In doing so, Members should consider whether the:



- 5.5.1. scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS
- 5.5.2. level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Standards
- 5.5.3. level of non-assurance work has an adverse impact on the core assurance work.

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

### **6.1. Legal Implications**

- 6.1.1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 6.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

### **6.2. Finance Implications**

- 6.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. A small contingency allocation has been included at this stage.
- 6.2.2. The Internal Audit Plan 2019/20 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan.
- 6.2.3. If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

**6.3. Equality Implications**

6.3.1. There are no direct implications for Equality and Diversity.

**6.4. Human Resources Implications**

6.4.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that sufficient resource is available to deliver this.

**6.5. Risk Management Implications**

6.5.1. Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

**6.6. Rural Communities Implications**

6.6.1. There are no direct implications for rural communities.

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

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

**6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

**7. Ward Members Affected**

7.1. The Internal Audit plan supports the operation of the entire Council. All Wards are therefore affected.

**8. Consultation & Engagement**

8.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is covered in Appendix A.

**9. Access to Information**

9.1. The following are links to relevant standards and regulations

9.1.1. [Public Sector Internal Audit Standards \(PSAIS\)](#)

9.1.2. [The Accounts and Audit Regulations 2015](#)

## 10. Contact Information

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

Name: Josie Griffiths/Michael Todd

Job Title: Principal Auditors

Email: [josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

[Michael.todd@cheshireeast.gov.uk](mailto:Michael.todd@cheshireeast.gov.uk)

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# Internal Audit Plan 2019/20

Audit and Governance Committee 14<sup>th</sup> March 2019

## 1. Introduction

- 1.1. This document sets out Cheshire East Council's Internal Audit Plan for 2019/20. It also covers how the service will be delivered and developed in accordance with the Internal Audit Charter and how the plan links to the Council's objectives and priorities.
- 1.2. The provision of assurance is the primary role for Internal Audit. This role requires the Head of Audit and Risk as the Chief Audit Executive, to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control (i.e. the control environment).
- 1.3. The objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Chief Audit Executive to provide an independent and objective opinion to the Council on the control environment and that audit activity focuses on areas where assurance is most needed.
- 1.4. The team's Principal Auditors are formally acting up to cover the roles and responsibilities of the Chief Audit Executive in relation to Internal Audit. The restructure of Corporate Services is progressing.
- 1.5. This plan, detailed in Table 3, has been produced on the basis of the known, current, resource available. Revised plans reflecting the development of Internal Audit will be produced and brought back to the Audit and Governance Committee in due course.

- 1.6. In developing the plan we have looked to recognise the context of strategic and operational change affecting the Council, and to focus on providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.
- 1.7. This summary plan has been drawn up on the basis that the control environment and risk profile of the Council will continue to change during the course of the next financial year, and the plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.

## 2. Responsibilities and Objectives of Internal Audit

- 2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council that these arrangements are in place and operating properly.
- 2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) as "independent, objective assurance and consulting service designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

- 2.3. Internal Audit's primary function is the provision of assurance. This is delivered through the provision of the annual internal audit opinion, which informs the Annual Governance Statement and is based on an objective assessment of the framework of governance, risk management and control.
- 2.4. Subject to the availability of resources, and there being no impact on the core assurance work, non-assurance work, including fraud related, and consultancy work may be undertaken at the request of the organisation.
- 2.5. It is not the responsibility of Internal Audit to detect fraud, but the potential for it to occur is considered in each assignment. It is the responsibility of the organisation to create an environment of no tolerance, and ensure adequate controls are in place to prevent and detect fraud.
- 2.6. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore positively contribute to the achievement of the Council's objectives.

### **3. Standards, Ethics and Independence**

- 3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1<sup>st</sup> April 2017. All internal audit work will be delivered in line with the requirements of the Standards.

- 3.2. All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSAIS. Internal Audit staff are also bound by the requirements of their respective professional bodies.
- 3.3. Declarations of Interest in line with the Council's Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.
- 3.4. In order to provide effective assurance on the Council's arrangements for governance, risk and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit's rights of access are outlined in the Internal Audit Charter.

### **4. Planning Methodology**

- 4.1. The planning process undertaken recognises and complies with the requirements of the Public Sector Internal Audit Standards in relation to planning. In accordance with PSIAS, the plan is fixed for a period of no longer than one year.
- 4.2. In accordance with the Charter, the annual internal audit plan for 2019/20 has been developed using a risk based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan takes into account the requirement to produce an annual internal audit opinion and the assurance framework.

- 4.3. The starting point for preparing the Plan is to consider the adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- 4.4. As the Council has recognised its current level of risk maturity as between "risk aware and risk defined" and has established the target of becoming "risk managed"<sup>i</sup>, additional work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan.
- 4.5. The Internal Audit Plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. It is, therefore, presented at a summary level. The plan is monitored regularly throughout the year to ensure that it addresses key areas of risk and emerging issues.
- 4.6. Internal Audit's own risk assessment, considers issues at an organisation, regional and national level as well as the results of previous audit work. The assessment considers materiality, sensitive and significance of each. This prioritises areas for inclusion in the plan.
- 4.7. Factors considered in the risk assessment are listed below,
- Consideration of the objectives from the Cheshire East Council's Corporate Plan;
  - Risks and opportunities recognised on the Corporate Risk Register;
  - Briefings from CIPFA's Better Governance Forum;
  - Items in the current year Plan which are in train at the year end, or need to be rolled forward into the new plan;
  - Coverage from previous internal audit plans and the outcome of follow up work;
  - Consultation with key internal stakeholders; Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff;
  - External stakeholders and other assurance providers; External Audit, Cheshire West and Chester Internal Audit, the North West Chief Audit Executive Group and other inspectorate agencies and providers of assurance.
- 4.8. The Plan will be continue to be reviewed and defined during the year, to ensure the following processes are considered:
- Outcomes from the Strategic Risk Management Process.
  - Outcomes from the business/commissioning planning process, including key organisational objectives and priorities and risks to achieving them.
  - Outcomes from the Annual Governance Statement process.



- Continuing consultation with key stakeholders.
- The outcome of consultation on a new structure for Internal Audit
- The continuing assessment of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources.

4.9. In delivering the 2019/20 Plan, there will be a need to take account of the following:

- the requirement to use specialists, e.g. ICT or contract and procurement auditors
- outcomes from the restructure of Corporate Services, and the development of Internal Audit
- Self assessment against the Quality Assurance and Improvement Programme (QAIP) and self assessment against the PSIAS
- clarification on any requirements for internal audit support to the Council's Alternative Service Delivery vehicles, and any other organisations where the Council acts as host or accountable body.

4.10. Minor changes to the plan will be discussed with the Executive Director of Corporate Services, and any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will

be reported to the Corporate Leadership Team and the Audit and Governance Committee.

## 5. Key Themes and Outputs

5.1. Key themes within the 2019/20 Internal Audit Plan include:

- Providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed.
- Reviewing assurance mechanisms to support delivery of statutory responsibilities
- Reviewing key delivery areas associated with high financial values and high levels of customer interaction

5.2. The outputs from the plan fall into two main areas:

### Assurance Audits

On completion of an assurance audit an opinion report will normally be issued, in line with the Internal Audit Charter, on the risks and controls of the area under review. The overall opinions used are "Good", "Satisfactory", "Limited" and "No Assurance". Reports are shared with the Council's External Auditors.

The opinions given on individual assurance reports inform the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

### **Consulting Services**

These are advisory in nature and generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should still contribute to the overall opinion.

In some cases, it may not be appropriate or proportionate to provide a full report and opinion. In these instances advice may be documented by email or a formal memo or email reference and a short note will be made in the annual report.

- 5.3. The main areas of the plan that will deliver an opinion on the risks and controls of the area under review and will inform the Head of Audit and Risk's Annual Internal Audit Opinion include:

- Key Financial Systems
- Corporate Core and Cross Service Systems
- Service Specific Systems
- Anti- Fraud and Corruption – Proactive reviews
- Project/contract audit
- ICT/Computer audit
- Investigations
- Continuous auditing/monitoring
- Probity/compliance audit
- External clients

- 5.4. The main areas of the plan that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion include:

### **Corporate Governance and Risk**

Support to and co-ordination of the production of the Annual Governance Statement (AGS).

Attendance at officer working groups such as Information Governance Group.

### **Statutory Returns**

Internal Audit may be required, as a stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body.

### **Anti Fraud & Corruption**

National Fraud Initiative – results are recorded on the Cabinet Office secure website.

### **Follow Up**

Monitoring the effective implementation of agreed audit recommendations to provide assurance that improvements in the control environment are being realised.

### **Advice and Guidance**

The exact nature and scope of any internal audit work, is agreed in advance with the manager.

- 5.5. Other work that will not necessarily inform the annual opinion includes:

### Corporate Work

- Supporting the Audit and Governance Committee including production of reports
- External Audit liaison
- Support and contribution to corporate initiatives and working groups.
- Regional Collaboration

### Anti Fraud and Corruption and Whistleblowing Reports

- At the request of management, Internal Audit may assist with the investigation of suspected fraud and corruption in response to reports and referrals received under the Council's Whistleblowing Policy
- Awareness raising
- Supporting the production and development of Corporate Policies and Procedures

- 5.6. In accordance with CIPFA guidance<sup>ii</sup> the Head of Audit and Risk, as Chief Audit Executive, should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in.
- 5.7. In addition, time has been allocated in the plan for the service to be developed and improved.
- 5.8. Internal Audit also provides services to PATROL<sup>iii</sup>, as Cheshire East Council is the host Council. Reports on this area provide assurance to the management body of PATROL and do not contribute to the Annual Internal Audit Opinion.

- 5.9. During the course of the year, Internal Audit may be able to undertake assurance work for other external clients, subject to being able to prioritise the delivery of the annual audit opinion for the Council.

## 6. Resource and Delivery

- 6.1. The Internal Audit Plan 2019/20 has been prepared, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion. The resources currently available are outlined in Table 1 below:

**Table 1: 2019/20 Resource compared to previous years**

Audit Year	2019/20	2018/19	2017/18
<b>Maximum Days</b>	2,036	1,941	1,875
<b>Unavailable Working Days</b> <i>Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave</i>	434	370	351
<b>Available Working Days</b>	1,602	1,571	1,523
<b>Non Chargeable Sub Total</b> <i>Training, Planning, Team Management and Service Development</i>	285	263	277
<b>Chargeable Days</b>	1,317	1,308	1,246

- 6.2. In calculating the resource available for the 19/20 plan, existing vacancies for 2.6 FTE have been included as unfilled, and other staff are included at substantive arrangements only; 2 Principal Auditors, (2FTE), 4

Senior Auditors (2.75FTE) and 3 Auditors (2.08FTE). Maternity cover has been included at 1FTE for a temporary one year position. This accounts for the slight increase in days from the 2018/19 resource.

- 6.3. As referenced earlier, preparations to restructure the team are expected to be implemented from the beginning of the 2019/20 financial year.
- 6.4. The allocation of days to particular areas of the plan as shown in Table 3 is indicative. During the scoping of individual assignments, auditors will work with relevant managers to refine the risks and controls upon which assurance is required, and the allocation will be amended if appropriate.
- 6.5. A contingency figure is normally included to recognise that the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. The plan does include a small amount of time for advice and guidance and a small allocation for additional general contingency. This is in addition to a specific contingency for reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.
- 6.6. Where there is an imbalance between the work plan required to deliver an annual opinion and the resources available, the Audit and Governance Committee will be informed of proposed solutions. Significant matters which jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and

brought to the attention of the Corporate Leadership Team and the Audit and Governance Committee.

- 6.7. In further defining the audit plan for delivery, areas of work may be highlighted which the Internal Audit function is not currently sufficiently staffed/skilled to provide assurance on, for example, specialist ICT audits. In these cases, there will be a need to consider procuring external resource to provide the necessary assurance.
- 6.8. Internal Audit's key priority will always be to deliver the assurance programme of work in order to provide the Council with an informed annual audit opinion.

## 7. Progress Reporting

- 7.1. During the year, Internal Audit will produce interim progress reports for the Audit and Governance Committee, detailing key issues arising from audits and progress made against the Audit Plan. Any significant matters affecting the delivery of the plan or requiring changes to the plan will also be reported to the Committee.
- 7.2. At the end of the year, an Annual Report, containing the Internal Audit Opinion, is presented to the Audit and Governance Committee to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This will be based on the findings of the work carried out during the year.

## 8. Quality Assurance and Improvement

- 8.1. Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.
- 8.2. The outcomes of this activity are reported to the Corporate Leadership Team and the Audit and Governance Committee, including results of ongoing internal assessments and external assessments conducted at least every five years.
- 8.3. The external assessment against PSIAS was carried out under the peer review arrangement with the North West Chief Audit Executive Group and reported to the Audit and Governance Committee in September 2018. Actions are being undertaken and will be reported against as part of the Internal Audit Annual Report in May 2019.

### Performance Indicators

- 8.4. Internal Audit has a number of existing Performance Indicators that are reported to the Audit and Governance Committee through the year via interim reporting and the Annual Report.

**Table 2: Internal Audit Performance Indicators**

Performance Indicator	Initial 2019/20 Target	2018/19 Actual to date	2018/19 Target	2017/18 Actual
Percentage of Audits completed to user's satisfaction	95%	97%	94%	95%
Percentage of significant recommendations agreed	95%	98%	95%	97%
Productive Time (Chargeable Days)	85%	82%	85%	86%
Draft report produced promptly (per Client Satisfaction Form)	95%	96%	95%	89%
Percentage of agreed audit recommendations implemented	90%	91%	90%	96%
Percentage of agreed audit recommendations implemented within agreed timescale	75%	81%	75%	65%

- 8.5. Targets for 2019/20 will be confirmed following assessment of actual performance in 2018/19.

## **Benchmarking**

- 8.6. Benchmarking is a useful tool to help drive improvements and deliver value for money. Internal Audit participated in the 2015/16 CIPFA Benchmarking Club, and has continued to use the feedback from this exercise to inform and develop the Internal Audit function and the plan. Opportunities to undertake further benchmarking will be considered in 2019/20.

## **Collaboration**

- 8.7. The Principal Auditors have continued to participate in the North West Chief Audit Executive Group, which meets regularly and acts as a discussion group on various local and national developments affecting Internal Audit, Corporate Governance, Risk Management and Counter Fraud.
- 8.8. The group also has a number of sub groups, including Schools, Fraud and Contract Management which are attended and supported by members of the Internal Audit team. These are extremely useful for sharing best practice, and learning from colleagues' experiences.
- 8.9. Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits of participation should be to increase the level of assurance available for all partners, to develop strong working relationships and to provide positive learning experiences. Careful consideration is given to the practicalities of undertaking fieldwork and the reporting

of findings as part of developing the scope of each engagement.

## **Service Priorities**

- 8.10. During 2019/20 the Internal Audit team will look to develop and embed the use of computer aided audit techniques; this will allow efficient testing of greater populations of data to be undertaken more regularly, thus improving the level of assurance we are able to provide.
- 8.11. Working practices will be reviewed following the implementation of the upgraded audit management software to ensure the user experience is improved, and to achieve consistent and effective use of the system. This will improve the quality of performance reporting to support monitoring of actions by senior management.

Table 3: Summary Internal Audit Plan 2019/20

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Corporate Risks and Corporate Outcomes</i>	<b>Context</b>	<b>2019/20 Planned Audit Days</b>	<b>2019/20 Planned %</b>
<b>Chargeable Days</b>			<b>1,317</b>	
<b>Less: Corporate Work</b>			<b>160</b>	
<i>Includes:</i> <ul style="list-style-type: none"> <li>Corporate Requirements: Corporate Management Duties, Performance Development Review Process.</li> <li>Corporate Groups and Assurance: Annual Governance Statement, Assurance Framework development</li> <li>Audit and Governance Committee: Reports taken on behalf of other areas of the Council, Committee Administration, Work Plan Development, Member Liaison and Development.</li> </ul>	<ul style="list-style-type: none"> <li>CR6: Countering Fraud and Corruption</li> <li>CO6: A responsible effective and efficient organisation</li> </ul>	Activities which the Internal Audit function are required to participate in corporately, or have direct responsibility for providing.		
<b>Available Audit Days</b>			<b>1,157</b>	
<b>Corporate Governance and Risk</b>			<b>136</b>	
<i>Includes:</i> <ul style="list-style-type: none"> <li>Audit and Governance Committee: Internal Audit reports to Committee.</li> <li>Corporate Groups – Corporate Assurance Group, Information Governance Group</li> <li>Collaboration: External Audit - Grant Thornton/Mazaars Liaison</li> <li>Regional Collaboration - Working</li> </ul>	<ul style="list-style-type: none"> <li>CR6: Countering Fraud and Corruption</li> <li>CO6: A responsible effective and efficient organisation</li> </ul>	Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion.		



<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Corporate Risks and Corporate Outcomes</i>	<b>Context</b>	<b>2019/20 Planned Audit Days</b>	<b>2019/20 Planned %</b>
<ul style="list-style-type: none"> <li>with regional internal audit partners</li> <li>Reviewing corporate and operational risk management arrangements</li> </ul>				
<b>Anti-Fraud and Corruption - Proactive Reviews</b>			<b>45</b>	
<i>Includes:</i> National Fraud Initiative, Developing an anti-fraud culture, Review associated anti-fraud arrangements and policies	<ul style="list-style-type: none"> <li>CR6: Countering Fraud and Corruption</li> <li>CO6: A responsible effective and efficient organisation</li> </ul>	Statutory requirement – NFI/Responding to fraud trends/Awareness raising.		
<b>Anti-Fraud and Corruption - Reactive Investigations</b>			<b>60</b>	
Specific contingency for reactive investigations in response to demand.	<ul style="list-style-type: none"> <li>CR6: Countering Fraud and Corruption</li> </ul>	Undertaken/supported as necessary after appropriate risk assessment.		
<b>Key Financial Systems</b>			<b>267</b>	
<i>Includes:</i> Schools Financial Value Standard Programme Core Financial Systems ERP Replacement ( <i>Joint with Cheshire West and Chester</i> )	<ul style="list-style-type: none"> <li>CR3: Financial Resilience</li> <li>CO2: Cheshire East has a strong and resilient economy</li> <li>CO6: A responsible, effective and efficient organisation</li> </ul>	<p>Provision of assurance to S151 Officer on identified high risk areas.</p> <p>Review of new arrangements and follow up of previous recommendations.</p> <p>Potential risk of mis-statement in the Authority's financial statements; first year activity in Business World.</p>		



Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Risks and Corporate Outcomes</i>	Context	2019/20 Planned Audit Days	2019/20 Planned %
<b>Corporate Core and Cross Service</b>			<b>176</b>	
<i>Includes:</i> Debt Management and Recovery ICT Network Security ICT Disaster Recovery LEP (S151 Assurance) Starters, Movers, Leavers HR Policy Review Supply Chain Management	<ul style="list-style-type: none"> <li>• CR1: Increased Demand for People Services</li> <li>• CR3: Financial Resilience</li> <li>• CR5: Information Security and Cyber Threat</li> <li>• CR9: Increased Major Incidents</li> <li>• CR10: Business Continuity</li> <li>• CR11: Employee Engagement and Retention</li> <li>• CO2: Cheshire East has a strong and resilient economy</li> <li>• CO5: People live well and for longer</li> <li>• CO6: A responsible, effective and efficient organisation</li> </ul>	Key Corporate and Cross service risks.  Provision of assurance relating to specific service areas, including commissioning arrangements for key service delivery areas and assurance on management and delivery of key projects.  Grant certifications.		
<b>People</b>			<b>175</b>	
<i>Includes:</i> Placement Management (Children's) Fostering Management	<ul style="list-style-type: none"> <li>• CR1: Increased Demand for People Services</li> <li>• CR2: NHS Funding and</li> </ul>	Key Corporate and Cross service risks.		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Corporate Risks and Corporate Outcomes</i>	<b>Context</b>	<b>2019/20 Planned Audit Days</b>	<b>2019/20 Planned %</b>
Role of Director of Children's Service Information Governance; Data Handling, Quality and Security (Adult's Social Care) Adult Safeguarding Role of Director of Adult Social Services Role of Director of Public Health Management of Commissioned Services	STP Impact <ul style="list-style-type: none"> <li>• CR4: Contract and Relationship Management</li> <li>• CO3: People have the life skills and education they need in order to thrive</li> <li>• CO5: People live well and for longer</li> <li>• CO6: A responsible, effective and efficient organisation</li> </ul>	Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing performance management and the achievement of outcomes.  Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects.		
<b>Place</b>			<b>98</b>	
Includes: Land Acquisitions and Disposals- Review of current arrangements Enforcement Activity Community Infrastructure Levy Heritage asset responsibilities	<ul style="list-style-type: none"> <li>• CRO4: Regeneration Funding</li> <li>• CR8: Community Cohesion</li> <li>• CO1: Our local communities are strong and supportive</li> <li>• CO2: Cheshire East has a strong and resilient economy</li> <li>• CO4: Cheshire East is a green and sustainable</li> </ul>	Outcome from reviewing key departmental and service risk areas.  Review of high profile partnership arrangements.  Assurance on arrangements for key service delivery areas and reviewing performance management in front line service area.		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Corporate Risks and Corporate Outcomes</i>	<b>Context</b>	<b>2019/20 Planned Audit Days</b>	<b>2019/20 Planned %</b>
	place • CO6: A responsible, effective and efficient organisation			
<b>Providing Assurance to External Organisations</b>			<b>25</b>	
<i>Includes:</i> PATROL <i>Other organisations may request assistance in year, subject to available resource</i>	• Host Authority arrangement	Provide assurance in agreed format, similar to former Small Bodies Annual Return		
<b>Advice and Guidance</b>			<b>30</b>	
<i>Includes:</i> Provision of ad-hoc advice and guidance to services	• CO6: A responsible effective and efficient organisation	Add value and improve overall governance, risk management and control processes within the organisation.		
<b>Other Chargeable Work</b>			<b>145</b>	
<i>Includes:</i> Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions <b>Note: Contingency is at 25 days</b>	• CO6: A responsible effective and efficient organisation	Specific requests from services Follow up implementation of recommendations, including further testing or additional work where necessary.		
<b>Total Audit Days</b>			<b>1,157</b>	

<sup>i</sup> <http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=241&Mid=5685>

<sup>ii</sup> "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010

<sup>iii</sup> The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.

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## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Maladministration Decision Notices from Local Government and Social Care Ombudsman – September – November 2018

**Senior Officer:** Daniel Dickinson – Acting Director of Legal Services

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### **1. Report Summary**

1.1. This report provides an update on the Decision Notices issued by the Local Government and Social Care Ombudsman (LGSCO) when their investigations have found maladministration causing injustice to complainants. This report details the decisions made between 1<sup>st</sup> September 2018 and 30<sup>th</sup> November 2018 only. There were three decisions in which the LGSCO found that there was maladministration causing injustice; the relevant departments have taken the recommended actions and learned lessons from the investigation outcomes. It is not possible to report on any Decision Notices issued from December 2018 to February 2019, as the LGSCO imposes a three month reporting embargo. Any decisions received after 30<sup>th</sup> November 2018 will be reported at a subsequent Audit & Governance meeting.

### **2. Recommendation**

2.1. That the Committee notes the contents of this report and makes any further response it considers appropriate.

### **3. Reasons for Recommendation**

3.1. The Terms of Reference for the Audit & Governance Committee include seeking assurance that customer complaint arrangements are robust and that recommendations agreed with the LGSCO are being implemented.

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

4.1. This is not applicable.

## **5. Background**

- 5.1. The Local Government Act 1974 established the Local Government and Social Care Ombudsman (LGSCO). It empowers the Ombudsman to investigate complaints against councils and adult social care providers and to provide advice and guidance on good administrative practice. Once a complainant has exhausted the Council's Complaints procedure, their next recourse, should they remain dissatisfied with the Council's response, is to contact the LGSCO.
- 5.2. The LGSCO will assess the merits of each case escalated to them and seek clarification from the Council as necessary before making the decision to investigate a complaint. Once the LGSCO decides to investigate, they will try to ascertain if maladministration has occurred and whether or not there has been any resulting injustice to the complainant as a result of the maladministration.
- 5.3. In instances where maladministration and injustice is found, the LGSCO will make non-legally binding recommendations which they consider to be appropriate and reasonable. Although not legally binding, refusal to accept the LGSCO's recommendation will trigger a Public Report. A Public Report is a detailed account of the complaint, outlining the failures by the Council in this particular investigation; this can have a significant damaging effect on the Council's reputation.
- 5.4. During the period between 1<sup>st</sup> September 2018 and 30<sup>th</sup> November 2018 the Council received three Decision Notices in which the LGSCO have concluded that there has been maladministration causing injustice. The details can be found in Appendix 1.

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

### **6.1. Legal Implications**

- 6.1.1. There are no legal implications flowing directly from the content of this report.

### **6.2. Financial Implications**

- 6.2.1. If fault causing injustice is found, the Council can be asked to pay compensation to a complainant, the level of which is determined on a case by case basis with costs met from the budget of the relevant council service which is found to be at fault. In the period being reported, the Council was required to make compensation payments totalling £750.

### **6.3. Policy Implications**

- 6.3.1. Adherence to the recommendations of the LGSCO is key to ensuring that customers have objective and effective recourse should they be unhappy with the way in which the Council has responded to their complaint.

**6.4. Equality Implications**

6.4.1. There are no equality implications flowing directly from the content of this report.

**6.5. Human Resources Implications**

6.5.1. There are no HR implications flowing directly from the content of this report.

**6.6. Risk Management Implications**

6.6.1. There are no Risk Management Implications

**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.

**7. Ward Members Affected**

7.1. There are no direct implications to Ward Members.

**8. Access to Information**

8.1. Please see appendix 1.

**9. Contact Information**

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

Name: Juan Turner

Job Title: Compliance and Customer Relations Officer

Email: [juan.turner@cheshireeast.gov.uk](mailto:juan.turner@cheshireeast.gov.uk)

**Appendix 1 - LGSCO Decisions where maladministration with  
injustice has taken place      September – November 2018**

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Service	Summary and Ombudsman's Final Decision	Agreed Action	Link to LGSCO Report
Special Educational Needs (SEN) Team	<p>Mrs X complained about how the Council dealt with her son's Education, Health and Care (EHC) needs assessment. Mrs X said the Council did not assess her son, Y, in line with the relevant law and guidance. It did not complete the assessment on time, failed to consult with the relevant professionals and did not properly communicate its decision. Mrs X also argued the Council failed to engage with her and Y or take their views into account as it should.</p> <p>There is fault with how the Council has dealt with Mrs X's son's EHC needs assessment. However, the Council has apologised for these issues which was considered a suitable remedy for the injustice caused.</p> <p>No action requested as an apology had already been issued</p>	N/A	<a href="https://www.lgo.org.uk/decisions/education/special-educational-needs/17-010-734">https://www.lgo.org.uk/decisions/education/special-educational-needs/17-010-734</a>
Special Educational Needs (SEN) Team	<p>The complainant, Mrs. X, complained about the Council's delays and failure to follow correct procedure, preparing her daughter's Education, Health and Care Plan (EHCP). The Council took too long, did not consult with Mrs X's preferred choice of school and failed to ensure delivery of educational provision set out in Z's final plan for a year.</p> <p>The Council agreed to apologise and offer to commission an independent review of the impact of loss of provision and pay for appropriate catch-up. It had agreed to pay Z £500 as a token recognition of the impact on her. It had agreed to also pay Mrs X £250 as a token recognition of her time and trouble.</p>	<ul style="list-style-type: none"> <li>• Apologise to Mr and Mrs X for wrongly refusing to consult with School 1 as part of the development of Z's EHC plan</li> <li>• Offer to commission independent research to evaluate the impact on Z of missing out on 12 months of support from an EKLAN trained key worker.</li> <li>• Pay Z £500 as a token recognition of the distress and loss of service that resulted from its failure to ensure delivery of part of her EHC plan. She could use this for her educational benefit.</li> <li>• Pay Mrs X £250 to remedy the time and trouble she had to go to.</li> <li>• Ensure that staff are trained on the requirement to complete EHC plans within 20 weeks and to ensure parental preferred schools are consulted in line with the Code's requirements.</li> </ul>	<a href="https://www.lgo.org.uk/decisions/education/special-educational-needs/18-002-801">https://www.lgo.org.uk/decisions/education/special-educational-needs/18-002-801</a>



<p>Ground Maintenance</p>	<p>Mr T complained that the Council failed to maintain public land near his home and keep it free from refuse and fly-tipping waste. Mr T said this situation remains ongoing and that the Council is in breach of its statutory duties by failing to keep the land free of waste. Mr T said he had had no choice but to clear the waste himself.</p> <p>The Ombudsman found fault with the Council's failure to act on information the complainant provided about waste and litter on Council land adjoining his home. This caused the complainant unnecessary inconvenience and frustration. The Council agreed to remove waste from the site and monitor the situation to see whether further action is needed.</p>	<ul style="list-style-type: none"> <li>• Apologise for the inconvenience and frustration caused to him by its failure to act on information provided about litter on the site near.</li> <li>• Arrange a site visit, to include Mr T, to identify any remaining waste. The Council will then arrange for this to be removed.</li> <li>• Monitor the site for a period of three months.</li> <li>• The Council will write to Mr T and the Ombudsman with the results of this monitoring. This should include details of any further action it proposes to take to ensure the land is maintained in accordance with the Council's duties under the Act.</li> </ul>	<p><a href="https://www.lgo.org.uk/decisions/other-categories/land/17-017-313">https://www.lgo.org.uk/decisions/other-categories/land/17-017-313</a></p>
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## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Committee Work Plan

**Senior Officer:** Mark Taylor, Interim Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. This report presents a draft Work Plan for 2019/20 (Appendix A) to the Committee for consideration. A draft outline for an Annual Monitoring Officer Report is also provided for the Committee's consideration at Appendix B.

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Consider the Work Plan and determine any required amendments;
  - 2.1.2. Note that the plan will be brought back to the Committee throughout the year for further development and approval.
  - 2.1.3. Consider the development of an Annual Monitoring Officer report and agree on it's inclusion in the work plan.

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

- 3.1. The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to enable the Committee to fulfil its responsibilities.

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

- 4.1. Not applicable

## 5. Background

- 5.1. Updated Terms of Reference were agreed at the 27<sup>th</sup> September 2018 meeting of the Committee; these were approved by Council on 13<sup>th</sup> December 2018 and the Work Plan has been updated to align with these.
- 5.2. In agreement with the Committee Chair, the following reports which had initially been scheduled for the 14<sup>th</sup> March 2019 meeting have been re-scheduled for future meetings of the Committee.
  - 5.2.1. The Risk Management Update has been deferred. Responsibility for Risk Management will be undertaken by the Interim Executive Director for Corporate Services.
- 5.3. Aspects of the Audit and Governance Committee's agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work Plan (Appendix A) and establish any amendments that will enable it to meet its responsibilities.
- 5.4. By identifying the key topics to be considered at the Audit and Governance Committee meetings, and receiving appropriate reports, Committee Members are able to undertake their duties effectively and deliver them to a high standard. In turn, this adds to the robustness of the risk management framework, the adequacy of the internal control environment and the integrity of the financial reporting and corporate governance of the Council.
- 5.5. Members will recognise that some items are brought to Committee on a more regular basis than others and ensure that statutory requirements are complied with. There are also individual requirements of the Committee's Terms of Reference which are only used on an ad-hoc basis. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.
- 5.6. A number of local authorities now provide an Annual Monitoring Officer report to their Audit and Governance Committee or equivalent. This annual report would provide assurances to the Committees on a number of the Monitoring Officer's statutory responsibilities over the previous financial year.
- 5.7. Appendix B has been prepared to give the Committee an outline of the suggested content of a Monitoring Officer report for consideration and discussion. The appendix identifies which are existing areas which the

Committee currently receives a separate report on, and which areas would present additional assurances.

5.8. In order to help with their deliberations, Members are asked to consider the following:

5.8.1. care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions.

5.8.2. there are any time consuming aspects of Committee business that could be more effectively addressed elsewhere, as an audit committee should operate at a strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers

5.8.3. the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings.

5.9. There were a number of items which remained unscheduled from the 2018/19 Work Plan. It is suggested that these are treated as follows;

5.9.1. Approach to disclosure of Internal Audit Reports; these will be reviewed in the new Municipal Year following elections and the appointment of a permanent Head of Internal Audit.

5.9.2. Counter Fraud report and Anti-Fraud and Corruption Policy; a report on counter fraud activity, including a review of the Council's policy and any required revisions is scheduled for the July 2019 meeting.

5.9.3. Review of the Whistleblowing Policy and Procedure; this report is scheduled for the July 2019 meeting but may be subject to change depending on the Committee's consideration on the development of a Monitoring Officer report.

5.9.4. Update on Internal Audit Report on Land Transactions; a review of management responses to actions agreed in response to the work undertaken by Internal Audit on land transactions will be undertaken early in 2019/20. An update will be provided to the Committee at the earliest opportunity once that review has been completed.

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

### **6.1. Legal Implications**

- 6.1.1. The Work Plan for 2019/20 complies with the requirements of the Accounts and Audit Regulations 2015.

**6.2. Finance Implications**

- 6.2.1. When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

**6.3. Equality Implications**

- 6.3.1. There are no direct implications for equality in this report. The Audit and Governance Committee receives assurances from across the organisation.

**6.4. Human Resources Implications**

- 6.4.1. Members should be satisfied that the inclusion of each item on its agenda results in added value, as the assurance process has a resource implication to the organisation and should therefore be proportional to the risk.

**6.5. Risk Management Implications**

- 6.5.1. Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position.

However, an effective audit committee can:

- 6.5.1.1. raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations,
- 6.5.1.2. increase public confidence in the objectivity and fairness of financial and other reporting
- 6.5.1.3. reinforce the importance and independence of internal and external audit and any other similar review process
- 6.5.1.4. provide additional assurance through a process of independent and objective review

**6.6. Rural Communities Implications**

- 6.6.1. There are no direct implications for rural communities.

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

- 6.7.1. There are no direct implications for children and young people.

**6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

**7. Ward Members Affected**

7.1. All wards affected.

**8. Consultation & Engagement**

8.1. The proposed Work Plan for 2019/20 was prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee. The proposed Work Plan has also been discussed with the Committee Chair and Vice Chair and was considered by the Corporate Leadership Team.

**9. Access to Information**

9.1. Not applicable.

**10. Contact Information**

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

Name: Michael Todd/Josie Griffiths

Job Title: Principal Auditors

Email: [michael.todd@cheshireeast.gov.uk](mailto:michael.todd@cheshireeast.gov.uk)

[josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

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## Work Plan 2018/19

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>14th March 2019</b>			
Update on the 2018/19 External Audit Plan (Mazars)	To receive an update from the Council's External Auditors in relation to the 2018/19 external audit report and other issues	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Certification Report 2017/18 (Grant Thornton)	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2017/18 claims and returns	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st September 2018 and the end of February 2019.	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
Internal Audit Interim Report 2018/19	Review and update of Internal Audit Charter in accordance with Public Sector Internal Audit Standards.	121	To approve the Internal Audit Charter
	To consider a summary of Internal Audit Work undertaken between September 2018 and December 2018.	127	To consider reports from the head of internal audit's performance during the year.
Internal Audit Plan 2019/20	Approval of the summary risk based Internal Audit Plan for 2019/20	123	To approve the risk –based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance, and any work required to place reliance upon those other sources.
Upheld Complaints to the Local Government Ombudsmen	Members have requested that they receive a report where there is a complaint upheld by the Local	146	Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions

## Work Plan 2018/19

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	<p>Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> <li>• if there have been any upheld complaints to be reported on to the next agenda</li> <li>• the appropriate part of the agenda for the report to be considered</li> <li>• clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting.</li> </ul>		<p>that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p>
Audit and Governance Committee Work Plan	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.

## Work Plan 2018/19

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>Unscheduled items – for consideration as to inclusion in 2019/20 Work Programme</b>			
Approach to disclosure of Internal Audit Reports	Report to the Audit and Governance Committee regarding the current approach to the sharing of Internal Audit reports and presenting options for future consideration	127	To consider reports from the head of internal audit's performance during the year.
		129	To consider summaries of specific internal audit reports as requested.
Counter Fraud Update report	To update the Committee with: <ul style="list-style-type: none"> <li>an overview of developments that are taking place nationally,</li> <li>an update on anti-fraud and corruption activity at Cheshire East; and</li> <li>details of work that will be completed to ensure compliance with best practice and improve Cheshire East's resilience to the threat of fraud and corruption.</li> </ul> The report will also set out a review of the Counter Fraud Policy against best practice and identify suggestions for improvements.	118	To monitor the counter-fraud strategy, actions and resources.
		145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.
Update on Internal Audit Report on Land Transactions	This report will update the Committee on the Management Actions agreed in response to the Internal Audit review of land transactions.	129	To consider summaries of specific internal audit reports as requested.
Whistleblowing Policy and Procedure	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy	145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>30<sup>th</sup> May 2019</b>			
External Audit 2018/19 Progress and Update Report (Mazars)	To consider an update report from Mazars in delivering their responsibilities as external auditors.	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
Internal Audit Annual Report (2018/19)	Annual opinion on the overall adequacy and effectiveness of the Council's control environment	128	To consider the head of internal audit's annual report: a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit. b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement
Annual Compliance Report 2018/19: Freedom of Information Act (2000) Environmental Information Regulations (2004) and Data Protection Act (2018)	An update on how Cheshire East Council fulfils its obligations under the relevant legislation. It also highlights volumes of requests, trends and current and future issues.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Annual Customer Feedback Report 2018/19: Complaints, Compliments and LGO	Summary of feedback received from customers during the 2018/19 based on the Council's own records.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
Referrals	(NB - A report based on the LGO formal feedback will be provided to the September Audit and Governance Committee as this information is not provided by the LGO until the end of July.)		reports and assurances.
Annual Compliance Report 2019/20: Regulation of Investigatory Powers Act 2000	This report provides an update on how the Council has complied with RIPA legislation during 2018/19, including the number of RIPA applications authorised.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Annual Information Governance Update 2018/19	This report provides an update on the Council's Information Governance arrangements during 2018/19	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Annual Audit and Governance Committee Self Assessment	Self-assessment of the effectiveness of the Committee, which provides an assurance for the Annual Governance Statement.	143	To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
Annual Risk Management Report 2018/19	Annual report on the effectiveness of risk management arrangements in the Council during 2018/19.	114	To monitor the effective development and operation of risk management in the council.
Draft Pre-Audit Statement of Accounts 2018/19	This report introduces the 2018/19 pre-audit statement of accounts to the Committee for consideration and comment.	140	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
Draft Annual Governance Statement 2018/19	This report introduces the draft 2018/19 Annual Governance Statement to the Committee for consideration and comment	111	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
<b>30<sup>th</sup> July 2019</b>			
External Audit Findings and Action Plan 2018/19 (Mazars)	Summary of findings from the 2018/19 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
Annual Statement of Accounts 2018/19	Approval of the Audited Statement of Accounts for 2018/19	140	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
			from the financial statements or from the audit that need to be brought to the attention of the Council.
Audit and Governance Committee Annual Report 2018/19	Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council.	142	To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
		143	To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
		144	To publish an annual report on the work of the committee.
Counter Fraud Report	Annual report on counter fraud work in the Council during 2018/19.	118	To monitor the counter-fraud strategy, actions and resources.
	This report will also set out the review of the Council's Anti-Fraud and Corruption Policy against current best practice and identifies any suggestions for improvements to the current arrangements.	145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.
Review of Whistleblowing Policy and Procedure	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during	145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	2018/19.		
Annual Governance Statement 2018/19	Approval of the Annual Governance Statement 2018/19	111	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
<b>3<sup>rd</sup> October 2019</b>			
Annual Audit Letter 2018/19 (Mazars)	Summary of the External Audit findings from the 2018/19 audit. The letter will also confirm the final audit fee.	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Members Code of Conduct: Standards Report (March 2019-August 2019)	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st March 2019 and end of August 2019.	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a



## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
			similar capacity).
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council.	114	To monitor the effective development and operation of risk management in the council.
Referrals to the Local Government and Social Care Ombudsmen 2018/19	The report will provide a summary of the key issues from the annual report received by the LGO.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Treasury Management Annual Report 2018/19	This report will update the Committee on Treasury Management activity over the year.	120	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
<b>5<sup>th</sup> December 2019</b>			
External Audit Plan 2019/20 (Mazars)	To receive and comment on External Audit's planned work for the audit of financial statements and the value for money conclusion 2019/20	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
			money.
Certification Report 2019/20	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2017/18 claims and returns.	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2019/20	Update on the contents of the Council's Treasury Management Strategy for 2019/20.  The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.	120	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Internal Audit 2019/20 Plan Progress Update	Progress report against the Internal Audit Plan 2019/20.	127	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
			Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
Annual Governance Statement - Progress Update	Update on actions to improve governance arrangements and respond to emerging issues identified in the 2018/19 Annual Governance Statement. Proposed process for the production of the 2019/20 Annual Governance Statement.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
<b>12<sup>th</sup> March 2020</b>			
External Audit 2019/20 Progress and Update Report (Mazars)	To receive an update from the Council's External Auditors in relation to the 2018/19 external audit report and other issues	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Members Code of Conduct: Standards Report (September 2019-February 2020)	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code of Conduct for Members of the Council (including

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	September 2019-February 2020.		co-opted Members and other persons acting in a similar capacity).
Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council.	114	To monitor the effective development and operation of risk management in the council.
Internal Audit Plan 2019/20: Progress Report	To consider a summary of Internal Audit Work undertaken between September 2018 and December 2018.	127	To consider reports from the head of internal audit's performance during the year.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.	112	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
<b>Unscheduled</b>			
Upheld Complaints to the Local Government Ombudsmen (If required)	<p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a <u>standing agenda item</u>, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice</p>	146	<p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p>

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	Chair to establish: <ul style="list-style-type: none"> <li>• if there have been any upheld complaints to be reported on to the next agenda</li> <li>• the appropriate part of the agenda for the report to be considered</li> <li>• clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting.</li> </ul>		(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.
Approach to disclosure of Internal Audit Reports <i>Carried forward from 2018/19 work plan</i>		127	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: <ul style="list-style-type: none"> <li>a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</li> <li>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</li> <li>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</li> </ul>

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
		129	To consider summaries of specific internal audit reports as requested.
Update on Internal Audit Report on Land Transactions <i>Carried forward from 2018/19 work plan</i>		116	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		129	To consider summaries of specific internal audit reports as requested.

**Draft Content for CEC Annual MO report****1. Role of the Monitoring Officer**

- 1.1. Explanation of MO responsibilities and legislative background, and non-statutory responsibilities.
- 1.2. Reference to importance of role in wider corporate governance and assurance informing AGS.
- 1.3. Requirement for a Deputy MO; assurance on arrangements in place.

**2. Standards Complaints**

- 2.1. Reference to arrangements in place.
- 2.2. Number of complaints over period in review and comparison to previous year; CEC and Parish
- 2.3. Status of complaints made (provides assurance on how promptly these are being managed)
- 2.4. Any reference to training provided on Code of Conduct or changes planned to process.

*This section would replace current reports provided to the Committee. Currently these are being taken every six months; would need to consider whether to move to annual only, or annual and then a further in year update.*

**3. Register of Member's Interests/Declarations of Interests**

- 3.1. Reference to arrangements in place and how assurance is obtained those arrangements are working.
- 3.2. Any non-compliance issues arising in year and subsequent changes to process which may be have been required.
- 3.3. Reference to training or changes planned to process.

*This would be new content for the Committee.*

**4. Register of Gifts and Hospitality**

- 4.1. Reference to arrangements in place and how assurance is obtained that arrangements are working.
- 4.2. Any non-compliance issues arising in year and subsequent changes to process which may be have been required.
- 4.3. Reference to training or changes planned to process.

*This would be new content for the Committee.*

**5. Member Training and Development**

- 5.1. Reference to arrangements in place and how assurance is obtained that arrangements are working
- 5.2. Reference to developments undertaken or changes planned to process.

*This would be new content for the Committee. Consideration would need to be given to complementing the work of the Member Technology and Development Panel.*

## **6. Dispensations**

- 6.1. Brief reference to arrangements in place and how assurance is obtained that arrangements are working.
- 6.2. Details of dispensations granted in year/compared to previous year

*Dispensations have been reported on separately to the Committee as and when required previously. Separate reports may still be required to be taken during the year, but could be summarised in an annual Monitoring Officer Report.*

## **7. Information Requests**

- 7.1. Annual figures for Freedom of Information (FOI), Environmental Information Regulations (EIR) and Subject Access Requests (SAR) and comparison to previous years.
- 7.2. Numbers of internal reviews, outcomes of escalations to ICO and trend analysis.
- 7.3. Reference to training or changes planned to process.

*This section would replace the existing annual compliance report on FOI, EIR and SAR.*

*The Committee had agreed to replace GDPR updates earlier in 2018 in favour of an annual information governance report to be provided by the SIRO; in developing an MO report, discussion would need to be taken to ensure there was no duplication or omission between the two reports.*

## **8. Complaints including Local Government and Social Care Ombudsman (LGO) referrals**

- 8.1. Annual figures for complaints; usually broken down by service area, including ASDVs and comparison to previous years.
- 8.2. Numbers of internal reviews and outcomes of escalations to LGO.
- 8.3. Any particular trends.
- 8.4. Reference to training or changes planned to process.

*This section would replace the annual customer feedback report.*

*We currently report in May based on our own figures to inform the Annual Governance Statement (AGS), as the LGO's figures aren't usually available until the end of July, which is too late to inform either draft or final AGS. Will need to consider whether the report is supplemented by an additional report on the LGO's figures around the October committee.*



**9. Regulation of Investigatory Powers Act (RIPA)**

- 9.1. Brief reference to arrangements in place and how assurance is obtained that these arrangements are working.
- 9.2. Details of authorisations granted in year/compared to previous year and particular trends.
- 9.3. Reference to training or changes planned to process.
- 9.4. Reference to external inspection from the Office of the Surveillance Commissioner (if applicable).

*This section would replace the separate annual RIPA report.*

**10. Confidential Reporting**

- 10.1. Brief reference to arrangements in place and how assurance is obtained that arrangements are working.
- 10.2. Details of disclosures received in year/comparison to previous year.
- 10.3. Analysis of whether disclosures were really confidential reporting or complaints/grievances.
- 10.4. Training undertaken/changes planned to policy or process.

*This section would replace a separate report to the Committee on whistleblowing.*

**11. Constitution/Decision Making process in operation**

- 11.1. Reference to requirement to review and monitor operation of Constitution and how this is undertaken at CEC/refer to Constitution Committee
- 11.2. Number of closed sessions of public meetings (Section 12a of LGA 1972), and where these occurred
- 11.3. Key decisions taken with less than 28 days notice of intention (Number of/comparison to previous year, circumstances when it occurred and why)
- 11.4. Scrutiny call-ins (Number of, and circumstances)

*This would form new content for the Committee in this format although some of it may previously have been referenced in the AGS.*

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*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 14 March 2019

**Report Title:** Waivers and Non Adherences (WARNs)

**Senior Officer:** Mark Taylor – Interim Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number and reasons for waivers and non adherences (WARNs) which have been approved between the 1<sup>st</sup> October 2018 and the 31<sup>st</sup> January 2019.
- 1.2. The approved WARNs are published retrospectively for information on the next appropriate Audit and Governance Committee. The number of WARNs to be presented to the March Audit and Governance Committee is 3, 2 Waiver and 1 Non adherence.
- 1.3. All WARNs will be presented to the Audit and Governance Committee without any information redacted. However, they will be presented in Part 2 of the Committee as they may contain commercially sensitive information and/or Officer Details.

### **2. Recommendation/s**

- 2.1. That the Audit and Governance Committee note the number and reason for waivers and non adherences (WARNs) approved between 1<sup>st</sup> October 2018 and 31<sup>st</sup> January 2019.

### **3. Reasons for Recommendation/s**

- 3.1. The Audit and Governance Committee has a key role in overseeing governance arrangements within the Council and has a requirement to retrospectively review all approved WARNs. The WARN process forms part of the Councils Contract Procedure Rules (CPRs), which are intended to promote good procurement and commissioning practice, transparency and clear public accountability.

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

4.1. N/A

## 5. Background

5.1. All WARNs approved in the period between Audit and Governance Committees will be presented to the following Committee. This report contains all WARNs approved from the 1<sup>st</sup> October 2018 to the 31<sup>st</sup> January 2019.

The WARN process records the following;

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with the Contract Procedure Rules, Part 5. Section 7.1-7.3.
- Non Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Part 5. Section 7.4-7.10.

Waivers are a compliant part of the Contract Procedure Rules and are used where there is a genuine business case to direct award without the need for

<b>WARNs</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017- 2018</b>	<b>April – January 2019</b>
Non Adherence	20	25	33	10	6
Waiver	62	45	40	20	11
<b>Grand Total</b>	<b>82</b>	<b>70</b>	<b>73</b>	<b>30</b>	<b>17</b>

competition.

5.2. A summary of the total number of WARNs for the reporting periods 2014 - 2017 is set out below:

The figure for financial year 2016 – 2017 increased slightly due to it including 16 ICT WARNs which were previously managed through CoSocius. If these were removed then the figure would be 54 meaning a reduction from the previous year.

The total number of WARN's for 2017-2018 was 30. This is a reduction from the previous year of 59%.

This reduction in waivers and non adherences is the result of improved forward planning, better information such as enhanced contracts register and proactively working with services to inform better outcomes and ensuring compliant contracts are in place.

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

### **6.1. Legal Implications**

6.1.1. All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner.

6.1.2. Employees must also seek to ensure value for money and take care to avoid the risk of legal challenge to the Council in relation to the use of its financial resources. The Council's Officer Delegations, Finance and Contract Procedure Rules and Operating Procedures must, therefore, be followed at all times. This report sets out compliance with Contract Procedure Rules.

### **6.2. Finance Implications**

6.2.1. The Council's Constitution Finance Procedure Rule 2.30; Chapter 3 - Part 4: Section 2 explains that the Corporate Leadership Team (CLT) are responsible for working within their respective budget limits and to utilise resources allocated to them in the most efficient, effective and economic way.

6.2.2. Along with comments from Procurement and Legal Officers, Finance Officers are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard (e.g. that the relevant Service has identified sufficient existing budget to cover the proposal; and also that the Service has considered how to achieve best value for money via this particular recommended course of action).

### **6.3. Equality Implications**

6.3.1. N/A

### **6.4. Human Resources Implications**

6.4.1. N/A

### **6.5. Risk Management Implications**

6.5.1. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing significant financial

and reputational risk to the Council. This includes procurement processes.

**6.6. Rural Communities Implications**

6.6.1. There are no direct implications for rural communities.

**6.7. Implications for Children & Young People**

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

**6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

**7. Ward Members Affected**

7.1. N/A

**8. Consultation & Engagement**

8.1. N/A

**9. Access to Information**

9.1. The background papers relating to this report can be inspected by contacting the report writer.

**10. Contact Information**

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

Name: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: [lianne.halliday@cheshireeast.gov.uk](mailto:lianne.halliday@cheshireeast.gov.uk)

## Appendix 1

**CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING**

<b>A</b>	Genuine Emergency – which warrant an exception to the requirements
<b>B</b>	Specialist Education or Social Care Requirements
<b>C</b>	Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
<b>D</b>	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
<b>E</b>	In-depth Knowledge, skills and capability of project/services already in existence with consultants/providers carrying out related activity – therefore procuring new consultants/skills would be uneconomic given the investment in previous, related work.
<b>F</b>	No valid tender bids received, therefore direct award can be substantiated
<b>G</b>	Lack of Planning
<b>H</b>	Other – Any other valid general circumstances up to the EU threshold

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