

Audit and Governance Committee

Agenda

Date: Thursday 3rd October 2019
Time: 2.00 pm
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

Membership

Conservative Councillors: R Bailey (Vice-Chairman), A Gregory, A Kolker
and M Sewart
Labour Councillors: S Handley, S Hogben and M Houston
Independent Group Councillors: D Edwardes and B Evans
Liberal Democrat Councillor: R Fletcher (Chairman)
Independent Co-opted Member: Mr P Gardener

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 foot of each report.

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

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

1. **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.

OFFICIAL

For requests for further information

Contact: Rachel Graves

Tel: 01270 686473

E-Mail: rachel.graves@cheshireeast.gov.uk with any apologies

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

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 - 12)

To approve the minutes of the meeting held on 30 July 2019 as a correct record.

5. **External Audit Update and Annual Audit Letter 2018/19** (Pages 13 - 42)

To receive the Annual Audit Letter for 2018/19 and the Audit Progress Report.

6. **Maladministration Decision Notices from Local Government and Social Care Ombudsman:** (Pages 43 - 50)

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

7. **Treasury Management Annual Report 2018/19** (Pages 51 - 66)

To receive the Treasury Management Annual Report for 2018/19.

8. **Annual Report of the Audit and Governance Committee 2018/19**
(Pages 67 - 90)

To consider the draft version of the Audit and Governance Committee's Annual Report 2018/19 and agree the final version of the report to go to Council.

9. **Counter Fraud Update** (Pages 91 - 98)

To consider an update on the Council's arrangements to counter the threat of fraud and corruption.

10. **Committee Work Plan** (Pages 99 - 110)

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

11. **Contract Procedure Rule Non-Adherences** (Pages 111 - 116)

To receive an update on the quantity and reasons for non-adherences approved between the period 1 July 2019 and 31 August 2019.

12. **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, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

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

13. **Contract Procedural Rules Non-Adherences**

To note the approved WARNs issued between 1 July 2019 and 31 August 2019.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Tuesday, 30th July, 2019 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor R Fletcher (Chairman)
Councillor R Bailey (Vice-Chairman)

Councillors D Edwardes, B Evans, A Gregory, S Handley, S Hogben,
M Houston, A Kolker and M Sewart

Councillors in attendance

Councillors J Clowes, S Corcoran, J Rhodes and A Stott

External Auditors

Alastair Newall, Mazars

Officers in attendance

Alex Thompson, Director of Financial and Customer Services
Deborah Nickson, Deputy Monitoring Officer
Josie Griffiths, Head of Audit and Risk Management
Gareth Pawlett, Head of ICT Services and Chief Information Officer (minute 21 only)
Michael Todd, Acting Internal Audit Manager
David Malcom, Head of Development Management (minute 20 only)
Juan Turner, Compliance and Customer Relations Officer (minute 20 only)
Sophie Thorley, Corporate Services Business Support (minute 23 only)
Lianne Halliday, Senior Manager – Procurement (minutes 27 and 29 only)
Rachel Graves, Democratic Services Officer

13 APOLOGIES FOR ABSENCE

Apologies were received from Philip Gardener.

14 DECLARATIONS OF INTEREST

No declarations of interest were made.

15 PUBLIC SPEAKING TIME/OPEN SESSION

The Chairman read a statement submitted by Mr Graham Goodwin relating to a complaint Mr Goodwin had submitted in March 2019 regarding the conduct of two Members. Mr Goodwin stated that he had not been informed why the matter was taking so long to be dealt with or what form the investigation process was taking. Mr Goodwin asked if this

was an acceptable timescale or way of dealing with code of conduct complaints.

In response, the Deputy Monitoring Officer responded that code of conduct complaints were dealt with confidentially and she was unable to comment on Mr Goodwin's complaint.

16 MINUTES OF PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 30 May 2019 be approved as a correct record.

17 EXTERNAL AUDIT FINDINGS AND ACTION PLAN 2018/19

Alastair Newall of Mazars presented the Audit Findings on the 2018/19 Audit.

The report detailed the significant finding from the audit, the internal control recommendations, audit adjustments, the value for money conclusion and the Auditor's opinion on the financial statements.

RESOLVED:

That the Audit Findings Report be received.

18 ANNUAL STATEMENT OF ACCOUNTS 2018/19

Consideration was given to the 2018/19 Statement of Accounts for Cheshire East Group.

The amendments reported in Section 5 of the Audit Completion Report had been agreed and included in the final Statement of Accounts.

Following approval the final audited version of the Statement of Accounts would be published on the Council's website.

RESOLVED: That

- 1 the report be received and the changes made to the draft Accounts in accordance with the Audit Completion Report be noted; and
- 2 the Chairman of the Audit and Governance Committee be given delegated authority to sign off the final Accounts on behalf of the Committee.

19 ANNUAL REPORT OF THE MONITORING OFFICER (2018/19)

The Committee considered the first Annual Report of the Monitoring Officer.

The Annual Report provided background on the role of the Monitoring Officer's statutory duties and an overview of the following areas:

- Member Code of Conduct
- Register of Members' Interests
- Register of Gifts and Hospitality
- Member Training and Development
- Dispensations
- Information and Data Protection
- Complaints including Local Government and Social Care Ombudsmen Referrals
- Regulation of Investigatory Powers Act
- Whistleblowing
- Constitution/Decision Making Process.

Members sought clarification on a number of issues, including whether Officers' declarations of interest and receipt of gifts were recorded. In response the Committee was informed that officers were required to register these details but they were not published. Questions were also asked if all new members of the Council had completed code of conduct training and the average time taken to deal with code of conduct complaint and how many were outstanding for over three months. As the details were not available at the meeting, a response to the questions would be provided to Committee members by the Monitoring Officer.

RESOLVED: That

- 1 the first Annual Monitoring Officer's Report be noted; and
- 2 responses to question be provided by the Monitoring Officer.

20 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN: MARCH – APRIL 2019

The Committee considered a report on the Decision Notices issued by the Local Government Ombudsman between 1 March 2019 and 30 April 2019.

It was reported that two 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.

RESOLVED:

That the report be noted.

21 ANNUAL INFORMATION GOVERNANCE UPDATE 2018/19

The Committee considered a report which provided an update on the Council's Information Assurance and Data Management (IADM) programme.

The IADM programme was ensuring that appropriate governance and processes were in place for the Council to manage and handle information so that risks were treated and opportunities to share and use information were realised. The Council had established an Information Governance Group to oversee the arrangements around Information Management in the Council.

The report detailed the development of six core principles as part of the assurance framework, the training provided to Head of Service and staff and the development of a new e-learning package to ensure consistent and compliant management of information across the authority.

An Email retention policy of two years for staff had been approved. This would remove duplicate information held in the email system and support the requirements of GDPR.

RESOLVED:

That the progress made on the Information Assurance Programme during 2018/19 be noted.

22 INTERNAL AUDIT ANNUAL REPORT 2018/19

Consideration was given to the Internal Audit Annual Report for 2018/19 on the overall adequacy and effectiveness of the Council's control environment. The report supports the Annual Governance Statement.

The Internal Audit team opinion on the Council's framework of risk management, control and governance for 2018/19 had been assessed as Adequate.

RESOLVED: That

- 1 the content of the Internal Audit Annual Report be noted; and
- 2 the Internal Audit opinion on the Council's framework of risk management, control and governance for 2018/19 as 'Adequate' be noted.

23 ANNUAL RISK MANAGEMENT REPORT 2018/19

The Committee considered the Annual Risk Management report which recorded the work for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The report listed those risks removed from the Register during 2018/19 and the new corporate

risks added. A summary of the current Risk Register was appended to the report.

It was requested that a heat map of the threats and opportunities be included in the scoring methodology, as had been included in previous reports to the Committee.

Clarification was sought on where changes to Capital Projects were reported and the Committee was informed that this was reported in the Quarterly Performance reports which went to Overview and Scrutiny, Cabinet and Council.

RESOLVED: That

- 1 the Annual Report on Risk Management be noted; and
- 2 a heat map of the threats and opportunities be included in the scoring methodology in future reports.

24 ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2018/19

The Committee considered the draft version of the Annual Report of the Audit and Governance Committee 2018/19.

The report provided details of the work undertaken by the Committee and the assurances received during the year.

It was agreed that consideration of the Annual Report would be deferred until the next meeting on 3 October 2019 and members were asked to forward any comments on the Annual Report to the Head of Audit.

RESOLVED:

That consideration of the Annual Report of the Audit and Governance Committee 2018/19 be deferred until the next meeting on 3 October 2019.

25 ANNUAL GOVERNANCE STATEMENT 2018/19

The Committee considered the Annual Governance Statement which explained how the Council makes its decisions, manages its resources and promotes high standards of conduct and behaviour.

Two items previously recognised in the Annual Governance Statement had been identified for removal – Governance of the Local Enterprise Partnership and the Council's Investigation and Disciplinary Committee, as sufficient progress had been made on these to remove them from future statements and be reviewed through local management and monitoring arrangements. Two new governance issues had been added – Proposed

Changes to the Committee system of Governance and Replacement of the Council's Core Financial System.

Clarification was sought on the appointment of one director for Cheshire Residents First Ltd and, as this officer also commissioned services from the ASDVs, and is was queried if there was a potential conflict in governance arrangements. The Director of Financial and Customer Services undertook to look into this and respond to members.

RESOLVED: That

- 1 the Annual Governance Statement 2018/19 be approved; and
- 2 the Director of Financial and Customer Services provide a response to the query on the appointment of the director of Cheshire East Residents First Ltd.

26 COMMITTEE WORK PLAN

Consideration was given to the Committee's Work Plan for 2019/20.

The Annual Report of the Committee would be added to the Work Plan for the October meeting.

It was requested a report on S106 monies be brought to the December Committee meeting on the implementations of the Internal Audit review findings.

RESOLVED:

That, with the additions of the Annual Report in October 2019 and S106 Monies in December 2019, the Work Plan be noted and that it be brought back to the Committee throughout the year for further development and approval.

27 CONTRACT PROCEDURE RULE NON-ADHERENCES

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs), which had been approved between 1 May 2019 and 30 June 2019.

RESOLVED:

That the report be noted.

28 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 3 of the Schedule 12 A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

29 CONTRACT PROCEDURE RULE NON-ADHERENCES

RESOLVED:

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.24 pm

Councillor R Fletcher (Chairman)

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Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: External Audit Update and Annual Audit Letter 2018/19

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

1. Report Summary

- 1.1. The Annual Audit Letter for 2018/19 and an Audit Progress Report are set out in the appendices to this report.

2. Recommendation

- 2.1. That Members note the Annual Audit Letter and the Audit Progress Report.

3. Reasons for Recommendation/s

- 3.1. The External Audit update sets out the work that the Council's Auditors, Mazars have completed to date, as part of 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 includes the Annual Audit Letter on the conclusion of the 2018/19 audit and an Audit Progress Report for 2019/20; this provides an update on progress to date and details of relevant national publications.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1 There are no legal implications identified.

6.2. Finance Implications

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

6.3. Policy Implications

6.3.1 There are no policy implications identified.

6.4. Equality Implications

6.4.1 There are no equality implications identified.

6.5. Human Resources Implications

6.5.1 There are no human resources implications identified.

6.6. Risk Management Implications

6.6.1 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

6.7.1 There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1 There are no direct implications for public health.

6.10 Climate Change Implications

6.10.1 There are no direct implications for 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

Appendix 1: Annual Audit Letter 2018/19

Appendix 2: Audit Progress Report

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Annual Audit Letter

Cheshire East Council

Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Cheshire East Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

| Area of responsibility | Summary |
|--|---|
| Audit of the financial statements | <p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 |
| Other information published alongside the audited financial statements | <p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none"> • The other information in the Statement of Accounts is consistent with the audited financial statements. |
| Value for Money conclusion | <p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p> |
| Reporting to the Whole of Government Accounts group auditor | <p>In line with group audit instructions issued by the NAO, we will report to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return. The deadline for our report to the NAO is 13 September 2019.</p> |
| Statutory reporting | <p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> |

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit & Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

| | | Council | Group |
|---------------------------------|---|-------------------|-------------|
| Financial statement materiality | Our financial statement materiality is based on 1.5% of the gross expenditure at the Surplus/Deficit on Provision of Services level | £10,800,000 | £11,000,000 |
| Trivial threshold | Our trivial threshold is based on 3% of financial statement materiality | £324,000 | £330,000 |
| Specific materiality | We have applied a lower level of materiality to the following areas of the accounts: - Officer Remuneration bandings - Related Party Transactions | £5,000 £50,000 | n/a n/a |

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit & Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

| Identified significant risk | Our response | Our findings and conclusions |
|--|--|--|
| Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. | We addressed this risk through performing audit work over: <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. | There were no significant matters arising from our work on the management override of controls |
| Valuation of Property, Plant & Equipment The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. | In relation to the assets which had been revalued during 2018/19 we assessed the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations. We reviewed the approach that the Council adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and we considered the robustness of that approach in light of the valuation information reported by the Council's valuers. In addition, we considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time. | We did not identify any significant matters from our testing, and we concluded that the valuation of the Council's Property, Plant & Equipment was materially fairly stated. |

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

| Identified significant risk | Our response | Our findings and conclusions |
|---|---|---|
| <p>Valuation of Defined Benefit Pension Liability</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Cheshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p> | <p>As part of our work we reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme Actuary, Hymans Robertson.</p> <p>We reviewed the appropriateness of the methodology applied in the valuation of the liability by Hymans Robertson, and the key assumptions included within the valuation, comparing them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We reviewed the methodology applied. We considered the Council's response to the key risks that emerged through the audit relating to legal cases that impact on the Local Government Pension Scheme. We also considered the Council's accounting in 2018/19 for the deficit contribution payment it made in 2017/18. We also considered the Council's accounting of the pension liability for its wholly-owned subsidiary companies.</p> | <p>Our work on the valuation of the LGPS Pension Liability has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated.</p> |

3. VALUE FOR MONEY CONCLUSION

| | |
|----------------------------|-------------|
| Value for Money conclusion | Unqualified |
|----------------------------|-------------|

Our approach to the Value for Money conclusion

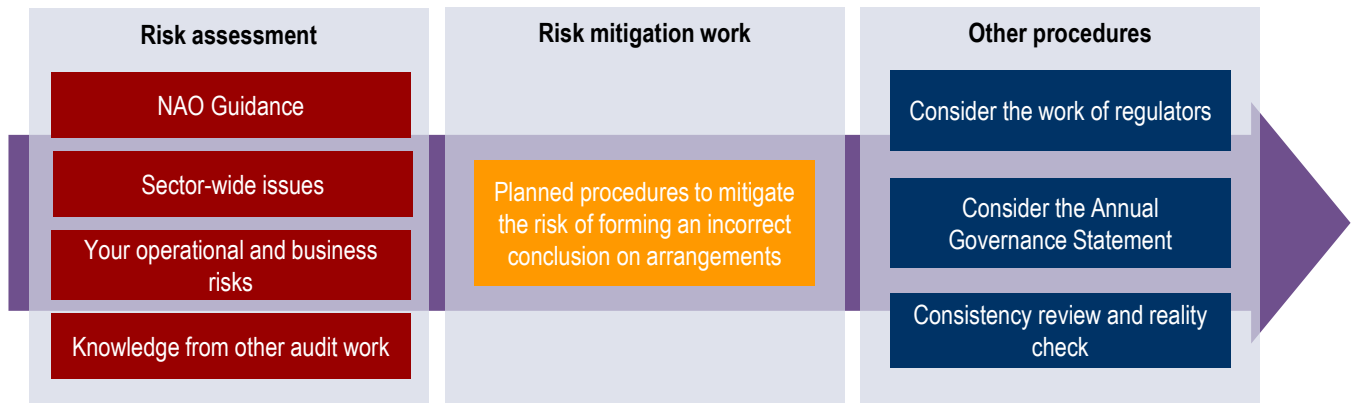
We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion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

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

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

Our auditor's report, issued to the Council on 31 July 2019, stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

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



Significant risks to our Value for Money conclusion

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

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

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



3. VALUE FOR MONEY CONCLUSION

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

3. VALUE FOR MONEY CONCLUSION

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

3. VALUE FOR MONEY CONCLUSION

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

3. VALUE FOR MONEY CONCLUSION

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

4. OTHER REPORTING RESPONSIBILITIES

| | |
|--|---|
| Exercise of statutory reporting powers | No matters to report |
| Completion of WGA group audit reporting requirements | To be completed and reported by 13 September 2019 |
| Other information published alongside the audited financial statements | Consistent |

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

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

We have not exercised any of these statutory reporting powers during our audit.

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

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. The deadline for completion of this work is 13 September 2019 and we will submit our report to NAO by this deadline.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts was consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit & Governance Committee in January 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

| Area of work | 2018/19 final fee | 2018/19 planned fee |
|---|-------------------|---------------------|
| Delivery of audit work under the NAO Code of Audit Practice | £119,034 | £119,034 |

Fees for other work

We have not undertaken any other engagements for the Council or its subsidiary companies in 2018/19.

6. FORWARD LOOK

Financial resilience

Fair Funding Review

The Government announced in August that it would produce a one-year spending review setting out the department allocations for 2020/21 with the three-year spending review being delayed until later in 2020. Regardless of the timing and period covered by the spending reviews, the Council will need to continue to respond positively the management of general reserves to ensure reserves remain at a level to deliver financial resilience and to enable the Council to deliver sustainable services.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published in July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. The challenge for Councils with regards to its borrowing, and its commercialisation agenda is to be able to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the prudence of its arrangements for loan repayment through applying the updated statutory guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government.

A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest that Councils also voice their opinion by responding to the consultation.

Audit developments

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

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Audit Progress Report

Cheshire East Council

October 2019





CONTENTS

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:

- Issued our Audit Report on 31 July 2019, providing:
 - an unqualified opinion on the Council's 2018/19 financial statements; and
 - an unqualified conclusion on the Council's arrangements during 2018/19 to deliver value for money in its use of resources.
- Completed our work on the Council's Whole of Government Accounts (WGA) return as required by the National Audit Office. We issued our unqualified conclusion on the Council's WGA submission on 13 September 2019.

This work has completed our 2018/19 audit work, and we would like to thank the Council officers for their co-operation and support in assisting us to complete the audit. The Committee should note that we have not issued our Audit Certificate, formally closing the 2018/19 audit. We are only able to formally close the audit once the previous year's closure Certificate has been issued. The Council's previous auditors, Grant Thornton, have not certified the 2015/16 to 2017/18 audits as closed due to the ongoing police and CPS investigations into historical matters.

We met with Council officers to carry out a comprehensive debrief of the audit, to ensure that both we and the Council continually improve the process to deliver an even more smooth audit in 2019/20. We have also had introductory meetings with the Council's new Executive Director of Corporate Services and Director of Governance & Compliance.

Our audit planning for the 2019/20 audit will commence in November with planning discussions with senior officers to identify key significant risks for that audit. We will issue our Audit Strategy Memorandum in time for the December 2019 Audit & Governance Committee.

2. NATIONAL PUBLICATIONS

| | Publication/update | Key points | Page |
|--|--|---|------|
| National Audit Office (NAO) | | | |
| 1 | New Code of Audit Practice 2020/21 – Consultation | Consultation process underway for the new Code of Audit Practice that will apply for 2020/21 audits | 5 |
| 2 | Whole of Government Accounts 2017/18 | NAO has provided a qualified opinion on the 2017/18 Whole of Government Accounts | 5 |
| Public Sector Audit Appointments Ltd (PSAA) | | | |
| 3 | Local audit quality forum June 2019 slides | Slides from PSAA event | 6 |
| 4 | Local Government audit opinions issued by 31 July 2019 | Press release relating to the increase in delays in issuing audit opinions | 6 |
| Chartered Institute of Public Finance and Accountancy (CIPFA) | | | |
| 5 | A practical guide for Local Authorities on Income Generation (2019 edition) | Guidance to assist Councils | 7 |
| Ministry of Housing, Communities & Local Government (MHCLG) | | | |
| 6 | Review of local authority financial reporting and external audit | Announcement of a wide ranging review of financial reporting and external audit in the sector | 8 |
| Mazars | | | |
| 7 | Rethinking Social Value: Unlocking Resources to Improve Lives | Sector-leading think piece on Social Value | 9 |

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. New Code of Audit Practice 2020/21 – Consultation, September 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second is currently underway with a deadline for responses of 22 November 2019. The NAO plans to finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

The second stage of the consultation is focusing on the text of the draft Code. In particular there are proposed changes to the way auditors report on arrangements to deliver value for money in the use of resources.

The Local Audit & Accountability Act 2014 places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money.

Currently, the local auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people." This is known as the value for money conclusion and is included in the Auditor Report included in Council's financial statements.

The consultation draft Code proposes changes to this reporting, with a more detailed commentary on the value for money arrangements being included in a new 'Auditor's Annual Report'.

Should the Council wish to respond to the consultation, the details are provided in the link below.

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/#>

2. Whole of Government Accounts 2017/18, May 2019

The Whole of Government Accounts (WGA) consolidates the accounts of over 8,000 bodies across the public sector, including central and local government and public corporations such as the Bank of England, to produce an accounts-based picture of the UK's public finances. It sets out what the government receives, pays, owns and owes.

The headline results in WGA 2017/18 show income of £760.9 billion (2016/17 £720.8 billion), expenditure of £814.8 billion (2016/17 £760.7 billion). After financing costs are taken into account, the net expenditure for WGA is £212.4 billion (2016/17 £97.8 billion). On the Statement of Financial Position, WGA shows total assets of £2,013.8 billion (2016/17 £1,903.0 billion), and liabilities of £4,579.2 billion (2016/17 £4,323.7 billion).

The National Audit Office issued their Audit Report on the 2017/18 WGA, and have qualified their opinion as a result of qualifications in underlying accounts, and as a result of issues relating to the boundary, non-coterminous year ends, and accounting policies applied by the Treasury when carrying out the WGA consolidation.

<https://www.nao.org.uk/report/whole-of-government-accounts-2017-18/>

2. NATIONAL PUBLICATIONS – PUBLIC SECTOR AUDIT APPOINTMENTS LTD

3. Local audit quality forum June 2019 slides, June 2019

The local audit quality forum meeting place in which all of the parties which share a responsibility for audit quality can share experiences and good practice. The June 2019 slides are now available. The forum addressed 'practical help for Audit Committees', including the following:

- what should the Audit Committee look for in the financial statements?
- what is it like being an Audit Committee Chair;
- support for Audit Committees from CIPFA;
- how can Internal Audit help the Audit Committee to deliver its remit;
- support from the Local Government Association for Audit Committees; and
- new Code of Audit Practice consultation.

The next Forum meeting is in November 2019. Local bodies, including Cheshire East Council, who have opted into PSAA's national scheme are entitled to attend LAQF events free of charge (up to two delegates per body).

<https://www.psaa.co.uk/wp-content/uploads/2019/06/10-07-19-LAQF-Presentation-Slides.pdf>

4. Local Government audit opinions issued by 31 July 2019, August 2019

PSAA issued a press release after the end of the 2018/19 audit deadline to highlight the increase in the number of audit opinions that were not available by 31 July 2019. Reporting an increase in the number of opinions not available, the press release highlights the factors that have driven the increase in delays.

<https://www.psaa.co.uk/2019/08/news-release-local-government-audit-opinions-delivered-by-31-july-2019/>

2. NATIONAL PUBLICATIONS – CIPFA

5. A practical guide for Local Authorities on Income Generation (2019 edition), CIPFA, July 2019

CIPFA's revised income generation guide reflects on the income generation issues of 2019 and the changes that are being made.

The issues that are examined in this publication include:

- the need for thorough testing and business cases to robustly assess income proposals;
- the impact of the 2018 MHCLG Statutory Investment Guidance; and
- how the pattern of local authority income is changing.

The guide will allow councils to maximise their income potential against a backdrop of Brexit uncertainties and other economic changes. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.

The publication also has practical guidance on income generation for different service areas and there is a full coverage of discretionary charging rules.

<https://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2019-edition>

2. NATIONAL PUBLICATIONS – MHCLG

6. Review of local authority financial reporting and external audit, September 2019

The Ministry of Housing, Communities and Local Government announced in September that they had appointed Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review will not look at broader issues of local authority finances and sustainability.

The review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework to in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

As part of the review, MHCLG have issued a “Call for Views” which is linked below, along with the review’s terms of reference.

<https://www.gov.uk/government/publications/review-of-local-authority-financial-reporting-and-external-audit-terms-of-reference>

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

2. NATIONAL PUBLICATIONS – MAZARS

7. Rethinking Social Value: Unlocking Resources to Improve Lives, June 2019

Mazars have issued a sector leading think piece on Social Value.

This report utilises the knowledge and understanding we have access to as one of the largest auditors of the wider public sector, with involvement across the public sector.

The report reflects views from our clients in the public and not-for-profit sectors on how social value is defined, delivered and its impact on communities. We are pleased to share the results of this research in our brand new report: *'Rethinking social value: unlocking resources to improve lives'*.

The report focuses on:

- the opportunities around social value;
- leadership, communication, and building support;
- case studies highlighting innovative approaches in charities, not-for-profits and private sector partnerships; and
- how to measure the impact of social value.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Public-Services-Insights/Rethinking-Social-Value>

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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Maladministration Decision Notices from Local Government and Social Care Ombudsman – May – June 2019

Senior Officer: Jan Bakewell – Director of Governance and Compliance

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 his investigations have found maladministration causing injustice to complainants. This report details the decisions made between 1st May 2019 and 30th June 2019. There were 3 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 July 2019 onwards, as the LGSCO imposes a three month reporting embargo. Any decisions received after 30th June 2019 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.
- 5.4. 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.
- 5.5. During the period between 1st May 2019 and 30th June 2019 the Council received 3 Decision Notices in which the LGSCO have concluded that there has been maladministration causing injustice. The details can be found in Appendix 1.
- 5.6. Special Educational Needs Complaint – The complaint was as a result of the way in which the Council considered an Education, Health and Care Plan (EHP) for a child. The complainant specifically criticised the Council for not consulting with her preferred choice of school and the delays in completing the assessment which meant that her son was out of school for prolonged period of time.
 - 5.6.1. The Ombudsman found fault as a result of the issues raised by the complainant. However, their investigation highlighted that although there was fault in the way in which the Council processed the EHP, the Council has since changed its procedures to ensure that the preferred school of applicants are consulted and that the child was not without education whilst he did not attend school.
 - 5.6.2. The required actions set by the ombudsman have been completed. In addition to this, the department has sought to learn from the criticisms

received by implementing a series of initiatives such introducing a tracking process where every child and young person is tracked from receipt of referral, through to the completion of a plan, the Head of Service and Director receive this on a weekly basis and challenge any delays that are identified.

- 5.7. Adult Social Care Complaint – The complaint was as result of the way in which the Council allowed the complainants mother to be discharged from her stay in hospital. The complaint specifically raised concerns that the Council informed him that the Consultant Neurologist supported the decision to discharge when this was not the case; and reduced his mother's domiciliary care package at the last minute without discussing the change with the family.
 - 5.7.1. The Ombudsman concluded that the Council was at fault in telling the family the Consultant Neurologist supported the decision to discharge the complainant's mother without properly outlining the conversation that the Council had with him. It also considered that the complainant and his family were caused distress by being not being informed earlier that that their mother's care package would not be the four visits originally planned. However this was swiftly remedied at the time and as a result the Ombudsman did not recommend any further action as the Council had already taken appropriate action.
 - 5.7.2. The department has since reminded staff for the need to ensure that all communication with families are an accurate reflection of third party conversations and the importance of documenting all relevant conversations.
- 5.8. Waste and Recycling Complaint – The complaint was as a result of the way in which the Council considered reports of waste bins obstructing a garage and causing a nuisance.
 - 5.8.1. The Ombudsman concluded that the Council was at fault for not considering the matter inline with the powers granted under the Environmental Protection Act 1990, which grants the Council enforcement powers in instances such as this one.
 - 5.8.2. The department has since issued the apology and the payment as requested by Ombudsman. It has also appointed an officer to address the issues identified in the investigation with a view of reporting back to the Ombudsman of the action taken.

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. The cost of such compensation is paid for by the service at fault. In the period being reported, the Council was required to make compensation payments totalling £200.

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.

6.10. Climate Change Implications

- 6.11. There are no direct implications to climate change.

7. Ward Members Affected

- 7.1. There are no direct implications for 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

Appendix 1 - LGSCO Decisions where Maladministration with Injustice has Taken Place

May – June 2019

| Service | Summary and Ombudsman's Final Decision | Agreed Action | Link to LGSCO Report | Action Taken | Lessons Learnt |
|---|--|--|---|---|--|
| Special Education al Needs and Disabilities (SEND) Team | <p>Ms M complained about her son, B's education. She is unhappy with her dealings with the Council which led to B attending School 1, a special school in a neighbouring council area, in 2016.</p> <p>B stopped attending School 1 in October 2017 and has not returned to school. Mrs M complains about the school B has missed and the delay in arranging a new school place for him.</p> <p>The Ombudsman concluded that there was delay by the Council amending B's Education, Health and Care (EHC) Plan. This delayed Ms M's right of appeal against the Council's decision B should attend School 2. However, there was a place available at School 2, and the Council</p> | The Council agreed to apologise to Ms M and B for the two-term delay in amending B's EHC Plan. | https://www.lgo.org.uk/decisions/education/special-educational-needs/18-011-623 | The SEND Team has issues an apology for the failings identified by the Ombudsman. | The need to consult with preferred choice of school and to ensure that ECH Plans are processed in line within statutory time frames. |

| | | | | | |
|------------------------|---|--|--|---|---|
| | provided home tuition when B did not take up the place. | | | | |
| Adult Social Care Team | <p>Mr G complained about East Cheshire NHS Trust (the Trust) and Cheshire East Council (the Council) regarding issues surrounding his mother, Mrs H's hospital stay and discharge in 2017. In particular that the Council misinformed Mrs H's Family when she was discharged.</p> <p>The Ombudsman concluded that there was fault with the Council in relation to communication with the family. However, the Council has now provided a suitable response.</p> | No recommendations were made due to the Council having remedied the matter at the time of the complaint. | The Decision Notice is not currently available on the LGSCO website. | The department has issued reminders to staff to document all relevant conversations and to relay third party conversations. | The need to keep accurate records and to communicate effectively with families. |

| | | | | | |
|------------------------------------|--|---|--|--|---|
| <p>Waste and Recycling Service</p> | <p>Mr C complained that the Council failed to prevent his daughter's neighbours from leaving their waste bins outside her house.</p> <p>The Ombudsman concluded that the Council was at fault for a failure to maintain the ability to enforce its powers under the Environmental Protection Act 1990. This caused injustice. The Council has agreed to pay Ms C a sum in recognition of the injustice caused and to take steps to take to remedy this failure before reporting back to the Ombudsman.</p> | <p>The Council has agreed to apologise to Mr C and Ms C for the inconvenience caused; and pay Ms D £200 in recognition of the distress and trouble caused.</p> <p>It has also agreed to appoint an existing staff member to address the problems suffered by Ms D to inform the Ombudsman and Ms D of what steps it has taken to control the problem, the effect these steps have had and what ongoing action it intends to take to control future breaches of the EPA both in this case and in others.</p> | <p>The Decision Notice is not currently available on the LGSCO website</p> | <p>The department has issued the apology and £200 payment to the complainant.</p> <p>The department has appointed an officer to address issues identified in the investigation and with a view of reporting back to the Ombudsman of the action taken.</p> | <p>The need to ensure that the Council considers reports of bins causing a nuisance in line with powers granted in the Environmental Protection Act 1990.</p> |
|------------------------------------|--|---|--|--|---|



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Treasury Management Annual Report 2018/19

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

1. Report Summary

- 1.1. The Treasury Management Policy requires regular reporting on the performance of the Council's treasury management operation.
- 1.2. This report contains the Annual Report for 2018/19 which was considered by Cabinet on 11th June 2019.

2. Recommendations

- 2.1. To note the Treasury Management Annual Report for 2018/19 as detailed in Appendix A.

3. Reasons for Recommendations

- 3.1. To meet the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. The Treasury Management Strategy for 2018/19 was approved by Council on 22nd February 2018. Progress reports have been provided to Cabinet throughout the year as part of the Quarterly Financial and Performance Update Reports.
- 5.2. This annual treasury report detailed in Appendix A covers the:
 - Council's capital expenditure and financing during the year;

- Impact of this activity on the Council's underlying Capital Financing Requirement (CFR);
- Treasury position at 31st March 2019 identifying how the Council has borrowed in relation to the CFR and the impact on investment balances;
- Economic factors;
- Detailed investment and debt activity;
- Reporting of the required prudential and treasury indicators.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. There are no legal implications identified.

6.2. Finance Implications

6.2.1. As covered in the report.

6.3. Policy Implications

6.3.1. There are no policy implications identified.

6.4. Equality Implications

6.4.1. There are no equality implications identified.

6.5. Human Resources Implications

6.5.1. There are no human resource implications identified.

6.6. Risk Management Implications

6.6.1. The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

6.6.2. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.

6.6.3. To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing

risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.

6.6.4. The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change.

7. Ward Members Affected

7.1. Not applicable.

8. Consultation & Engagement

8.1. Not applicable.

9. Access to Information

9.1. *Please see the following financial reports*

[Treasury Management Strategy 2018/19](#)

10. Contact Information

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

Name: Joanne Wilcox

Job Title: Financial Strategy and Reporting Manager

Email: Joanne.wilcox@cheshireeast.gov.uk

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Appendix A

Treasury Management Annual Report 2018/19



1. Introduction

- 1.1 In February 2018 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
- 1.2 The Authority's treasury management strategy for 2018/19 was approved at a meeting of the Council on 22nd February 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 1.3 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 21st February 2019.

2. Economic events of 2018/19

- 2.1 **Economic background:** After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.
- 2.2 After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

- 2.3 The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.
- 2.4 With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including rejecting Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.
- 2.5 While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.
- 2.6 **Financial markets:** December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.
- 2.7 Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.
- 2.8 Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at

the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

- 2.9 **Credit background:** Credit Default Swap (CDS) spreads, which act as a measure of risk, drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.
- 2.10 The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) has been completed transferring their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.
- 2.11 In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty. This was followed with the same treatment for UK banks and a number of government-related entities.
- 2.12 There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

3. Local Context

- 3.1 On 31st March 2019, the Authority had net borrowings of £17m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

| | 31.3.19 Actual £m |
|-------------------------------|----------------------------------|
| General Fund CFR | 330 |
| Less: *Other debt liabilities | 24 |
| Borrowing CFR | 354 |
| External borrowing | (158) |
| Internal borrowing | 196 |
| Less: Usable reserves | (112) |
| Less: Working capital | (67) |
| Net borrowings | 17 |

* finance leases and PFI liabilities that form part of the Authority's total debt

- 3.2 The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
- 3.3 The treasury management position at 31st March 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

| | 31.3.18 Balance £m | Movement £m | 31.3.19 Balance £m | 31.3.19 Rate % |
|---------------------------|-----------------------------------|------------------------|-----------------------------------|-------------------------------|
| Long-term borrowing | (110) | 6 | (104) | 4.13 |
| Short-term borrowing | (60) | 6 | (54) | 1.99 |
| Total borrowing | (170) | 12 | (158) | 3.41 |
| Long-term investments | 10 | 0 | 10 | 4.56 |
| Short-term investments | 12 | (8) | 4 | 0.80 |
| Cash and cash equivalents | 2 | 12 | 14 | 0.79 |
| Total investments | 24 | 4 | 28 | 2.14 |
| Net borrowing | (146) | 16 | (130) | |

4. Borrowing Strategy during the year

- 4.1 At 31st March 2019 the Authority held £158m of loans (a decrease of £11m from 31st March 2018), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

| | 31.3.18 Balance £m | Net Movement £m | 31.3.19 Balance £m | 31.3.19 Weighted Average Rate % | 31.3.19 Weighted Average Maturity (years) |
|---------------------------------|--------------------------|-----------------------|--------------------------|---|---|
| Public Works Loan Board | 77 | (6) | 71 | 4.10 | 20.0 |
| Banks (LOBO) | 17 | - | 17 | 4.63 | 27.3 |
| Salix – Energy Efficiency loans | 4 | (1) | 3 | 0.00 | 1.6 |
| Local authorities (long-term) | 19 | 1 | 20 | 1.17 | 1.1 |
| Local authorities (short-term) | 53 | (6) | 47 | 0.82 | 0.2 |
| Total borrowing | 170 | (12) | 158 | 2.73 | 12.2 |

- 4.2 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
- 4.3 With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources and borrow rolling temporary loans on the inter-Local Authority market instead. The net movement in temporary loans is shown in table 3 above.
- 4.4 The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. In order to ensure borrowing is more reflective of the risks associated with long term spending and to provide longer term certainty and stability to the debt portfolio, a review of alternative borrowing options will be considered in 2019/20.
- 4.5 LOBO loans: The Authority continues to hold £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

5. Treasury Investment Activity

- 5.1 The Authority held £28m of invested funds at 31st March 2019, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £11m and £45m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

| | 31.3.18 Balance £m | Net Movement £m | 31.3.19 Balance £m | 31.3.19 Income Return % | 31.3.19 Weighted Average Maturity (days) |
|----------------------------|--------------------------|-----------------------|--------------------------|----------------------------------|--|
| Banks (unsecured) | 0.7 | (0.7) | - | - | - |
| Government inc LA's | 11.6 | (7.6) | 4.0 | 0.80 | 8 |
| Money Market Funds | 1.5 | 12.6 | 14.1 | 0.79 | 1 |
| Other Pooled Funds: | | | | | |
| - Property funds | 7.5 | - | 7.5 | 4.62 | - |
| - Cash plus funds | 2.5 | (2.5) | - | - | - |
| - Multi asset income funds | - | 2.5 | 2.5 | 4.39 | - |
| Total investments | 23.8 | 4.3 | 28.1 | 2.14 | 2 |

**Weighted average maturity will not apply to property and multi-asset funds as the underlying assets have no pre-determined maturity date.*

- 5.2 A full list of organisations in which the Council had treasury investments is shown in Table 5.

Table 5: Treasury Investments

| | 31/03/18 £m | 31/03/19 £m |
|---|----------------|----------------|
| GOVERNMENT | | |
| West Yorkshire Police Crime Commissioner | - | 4.0 |
| Central Bedfordshire Council | 6.6 | - |
| Surrey Heath District Council | 5.0 | - |
| UK BANKS | | |
| Barclays Bank | 0.7 | - |
| MONEY MARKET FUNDS | | |
| Federated Investors | - | 6.9 |
| Aberdeen Asset (formerly Scottish Widows) | - | 5.7 |
| Deutsche | 0.5 | 1.0 |
| CCLA | 0.5 | 0.5 |
| Standard Life | 0.5 | - |
| MANAGED FUNDS | | |
| Property Funds | 7.5 | 7.5 |
| Kames – Multi Asset Income Fund | - | 2.5 |
| Royal London – Enhanced Cash Fund | 2.5 | - |
| TOTAL | 23.8 | 28.1 |

- 5.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 5.4 Given the increasing risk and low returns from unsecured bank deposits the Council has continued to invest short term funds in Money Market Funds which spreads the risk, and where cash flow allows, with other Local Authorities. A strategic long term investment level of £10m has been maintained in order to generate enhanced income whilst diversifying risk. During 2018/19 the Council redeemed it's investment with Royal London Enhanced Cash Plus Fund and invested into the Kames Multi asset fund instead. Whilst the value of the underlying investment may vary, the fund provides increased income returns (4.39% compared to 0.90% for the Royal London Fund). The average income return in 2018/19 was 1.75% compared to 1.55% in 2017/18.
- 5.5 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house

| | Credit Score | Credit Rating | Bail-in Exposure | Weighted Average Maturity (days) | Rate of Return % |
|--------------------|---------------------|----------------------|-------------------------|---|-------------------------|
| 31.03.2018 | 3.81 | AA- | 16% | 6 | 0.56% |
| 31.03.2019 | 4.40 | AA- | 78% | 3 | 0.79% |
| Similar LAs | 4.17 | AA- | 58% | 50 | 0.84% |
| All LAs | 4.20 | AA- | 55% | 29 | 0.85% |

- 5.6 £10m of the Authority's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a total return of £640,000 (7.30%), comprising a £406,000 (4.56%) income return which is used to support services in year, and £234m (2.74%) of capital growth.
- 5.7 Strategic funds have no defined maturity date, but are available for withdrawal after a notice period. For this reason their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium / long-term and the Authority's latest cash flow forecasts, overall investment levels in these funds has been maintained.
- 5.8 Readiness for Brexit: With little by way of political clarity as to the exact date on whether there would be an agreed deal prior to leaving the EU and to be prepared for the outside chance of a particularly disruptive Brexit (such as last-minute no-deal) on 29th March, the Authority ensured there were enough accounts open at UK-domiciled banks and Money Market Funds to hold

sufficient liquidity over the year end and that its account with the Debt Management Account Deposit Facility (DMADF) remained available for use in an emergency.

6. Non-treasury Investments

6.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

6.2 As at 31st March 2019 the following non-treasury investments were held.

Table 7: Non-treasury Investments

| Counterparty | Type | Original Investment £000* | Fair Value 31.03.18 £000 | Fair Value 31.03.19 £000 |
|-------------------------------------|-------------|------------------------------|--------------------------------|--------------------------------|
| Alderley Park Ltd | Equity | 1,070 | 2,400 | 3,880 |
| Manchester Science Partnerships Ltd | Equity | 739 | 1,604 | 2,072 |
| GM & Cheshire Life Sciences Fund | Pooled Fund | 2,923 | 2,146 | 3,053 |
| Alderley Park Ltd | Loan | 1,531 | 1,282 | 1,290 |
| Cheshire Green Employment Park | Loan | 1,264 | - | 1,213 |
| Everybody Sport & Recreation Ltd | Loan | 664 | 288 | 643 |
| Engenie Ltd | Loan | 24 | 24 | 23 |
| Cheshire Neighbours Credit Union | Loan | 15 | - | - |
| Total Value | | 8,230 | 7,744 | 12,174 |

* Original investment for loans represents the outstanding principal as at 31/03/19

6.3 During the year the Council made new loans to Everybody Sport & Recreation and Cheshire Neighbours Credit Union. The loan to Cheshire Green Employment Park is arranged through the Local Enterprise Partnership, Growing Places Fund but with the Council as the loan provider. The fair values at 31/03/19 include an allowance for expected credit losses.

7. Compliance

7.1 All treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below and compliance with specific investment limits is demonstrated in table 9 below.

Table 8: Debt Limits

| | 2018/19 Maximum | 31.3.19 Actual | 2018/19 Operational Boundary | 2018/19 Authorised Limit | Complied? |
|---------------------------|--------------------|-------------------|------------------------------------|--------------------------------|-----------|
| Borrowing | 170 | 158 | 390 | 400 | Yes |
| PFI and Finance Leases | 25 | 24 | 25 | 25 | Yes |
| Total debt | 195 | 182 | 415 | 425 | Yes |

- 7.2 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, there were no such occurrences during 2018/19.

Table 9: Investment Limits

| | 2018/19 Maximum | 31.3.19 Actual | 2018/19 Limit | Complied? |
|---|--------------------|-------------------|-------------------------|-----------|
| Any single organisation, except the UK Government | £6.9m | - | £12m | Yes |
| Any group of organisations under the same ownership | £6.9m | - | £12m | Yes |
| Any group of pooled funds under the same management | £10.2m | £8.0m | £25m | Yes |
| Negotiable instruments held in a broker's nominee account | - | - | £25m | Yes |
| Limit per non-UK country | - | - | £12m | Yes |
| Registered providers | - | - | £25m | Yes |
| Unsecured investments with building societies | - | - | £12m | Yes |
| Loans to unrated corporates | - | - | £12m | Yes |
| Money Market Funds | £34.8m | £14m | £50m (£12m per fund) | Yes |

8. Treasury Management Indicators

- 8.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 8.2 **Security:** The Authority has not adopted a specific measure of its exposure to credit risk. However, the credit quality of all counterparties is kept under continual review. No investments were made with any organisation if there were substantive doubts about its credit quality, even though it may otherwise meet the Councils investment criteria.
- 8.3 **Liquidity:** The Authority has not adopted a specific measure of its exposure to liquidity risk. However, a cash flow forecasting model is maintained to

determine the maximum period for which funds may prudently be committed and to plan appropriately.

- 8.4 **Interest rate Exposure:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of the net principal borrowed was:

Table 10: Interest Rate Exposure

| | 31.3.19 Actual | 2018/19 Limit | Complied? |
|--|---------------------------|--------------------------|------------------|
| Upper limit on fixed interest rate exposure | 57% | 100% | Yes |
| Upper limit on variable interest rate exposure | 43% | 100% | Yes |

- 8.5 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 11: Maturity Structure of Borrowing

| | 31.3.19 Actual | Upper Limit | Lower Limit | Complied? |
|--------------------------------|---------------------------|------------------------|------------------------|------------------|
| Under 12 months | 45% | 50% | 0% | Yes |
| 12 months and within 24 months | 15% | 25% | 0% | Yes |
| 24 months and within 5 years | 2% | 35% | 0% | Yes |
| 5 years and within 10 years | 2% | 50% | 0% | Yes |
| 10 years and within 20 years | 14% | 100% | 0% | Yes |
| 20 years and above | 22% | 100% | 0% | Yes |

Note – LOBO loans are treated as maturing in under 12 months as the Council would repay if the lender exercised their option to vary the interest rate.

- 8.6 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 12: Principal Investment Limits Longer than 364 Days

| | 2018/19 | 2019/20 | 2019/21 |
|---|----------------|----------------|----------------|
| Actual principal invested beyond year end | - | - | - |
| Limit on principal invested beyond year end | £25m | £15m | £10m |
| Complied? | Yes | Yes | Yes |

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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Annual Report of the Audit and Governance Committee 2018/19

Senior Officer: Jan Bakewell, Director of Governance and Compliance

1. Report Summary

- 1.1. The purpose of this report is for the Committee to agree the Audit and Governance Committee's Annual Report 2018/19 that will go to Council on 17th October 2019.
- 1.2. The Committee received a draft version at the meeting on 30th July 2019 and Members asked for further time to consider the draft. No further feedback has been received, therefore the version presented in Appendix A is unchanged.
- 1.3. Producing an annual report on the work of the Committee ensures compliance with best practice requirements and provides assurance to wider stakeholders on the continuing improvements of the Council's governance arrangements.

2. Recommendation

- 2.1. That the Committee considers the draft report for 2018/19 at Appendix A and agrees it as the final version which will be presented to Council later this year.

3. Reasons for Recommendation

- 3.1. To report in line with the requirements of the Council's Constitution and the Audit and Governance Committee's Terms of Reference, which require a report to full Council on a regular basis.
- 3.2. The report should cover the performance of the Committee in relation to its Terms of Reference, and the effectiveness of the Committee in meeting its purpose.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Current CIPFA guidance, *Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition* states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Aspects to consider include:
- whether the committee has fulfilled its agreed terms of reference
 - whether the committee has adopted recommended practice
 - whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
 - whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
 - what impact the committee has on the improvement of governance, risk and control within the authority.
- 5.2. The requirement to submit an annual report is recommended by the CIPFA guidance and included within Cheshire East Council's Constitution.
- 5.3. Following the release of the updated CIPFA guidance in 2018, an exercise was undertaken to review and update the Committee's terms of reference. Council agreed the Committee's updated Terms of Reference in December 2018.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Council's Constitution gives responsibility to the Audit and Governance Committee for overseeing the Council's roles and responsibilities in respect of Corporate Governance and Audit and specifically for submitting an annual report to Council. Production of the report ensures compliance with this requirement.

6.2. Finance Implications

- 6.2.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on the adequacy of the Council's governance arrangements, including the integrity of financial reporting processes.

6.3. Policy Implications

6.3.1. The production of the annual report and its presentation to Council ensures compliance with the CIPFA best practice guidance.

6.4. Equality Implications

6.4.1. There are no equality implications for this report.

6.5. Human Resources Implications

6.5.1. There are no direct human resource implications for this report.

6.6. Risk Management Implications

6.6.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on various aspects of the Council's governance arrangements, including the adequacy of the risk management framework.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for Climate Change.

7. Ward Members Affected

7.1. The work of the Audit and Governance Committee is not restricted geographically therefore all ward members are affected.

8. Access to Information

8.1. The draft annual report of the Audit and Governance Committee 2018/19 is attached as Appendix A to this report.

9. Contact Information

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

Name: Michael Todd

Job Title: Principal Auditor

Email: Michael.todd@cheshireeast.gov.uk

Annual Report of the Audit and Governance Committee 2018/19

DRAFT
(May 2018- April 2019)

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OFFICIAL

Contents

| | |
|--|---|
| Foreword by the Chair of the Audit and Governance Committee..... | 1 |
| 1. Introduction to the Audit and Governance Committee..... | 2 |
| 2. Audit and Governance Committee - Statement of Purpose | 2 |
| 3. Governance, Risk and Control within Cheshire East Council | 3 |
| 4. Effectiveness of the Committee..... | 5 |
| 5. Additional Assurance | 6 |
| 6. Members of the Committee..... | 8 |
| 7. Statutory Requirements, New Guidance and Recommended Practice | 9 |
| 8. Training and Development..... | 9 |
| 9. Work programme for 2019/20..... | 9 |

Foreword by the Chair of the Audit and Governance Committee

As Chair of the Audit and Governance Committee following elections in May 2019, I have the honour of presenting this detailed report on the work of the Committee over the period of the 2018/19 municipal year.

The report sets out the broad range of work which has been considered over the year to support the Committee in fulfilling its Terms of Reference and is reported to full Council to provide assurance on the effectiveness of the Committee in meeting its purpose. I hope that this report helps to demonstrate the key role which is undertaken by the Audit and Governance Committee and the positive contribution it makes to the Council's overall governance.

The Committee's Terms of Reference were reviewed against the new CIPFA guidance and a number of changes were recommended by the Committee to Council. These were approved and adopted following Council in December 2018.

Membership of the Audit and Governance Committee has changed significantly following the elections in May 2019 and I would like to thank the former Chair, Vice Chair and Committee members for the hard work and constructive challenge they have provided during their time on the Committee.

I would also like to thank all those who have contributed and attended the Committee meetings over the last year, supporting the Committee's work with varied reports and presentations, which are the culmination of much more preparation and work undertaken 'behind the scenes'.

I look forward to future meetings of the Committee, and working with the Committee members and the officers who support the Committee to ensure that we continue to provide independent assurance on the Council's control environment and the governance framework.



Councillor Rod Fletcher

Chair of the Audit and Governance Committee
July 2019

1. Introduction to the Audit and Governance Committee

Governance is defined in the “Delivering Good Governance in Local Government: Framework” (CIPFA/SOLACE 2016) as follows

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.

Audit Committees are therefore an essential element of good governance. Good corporate governance requires independent, effective assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

These functions are best delivered by an Audit Committee independent from the executive and scrutiny functions.

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

2. Audit and Governance Committee - Statement of Purpose

- The Audit and Governance Committee is a key component of the Council’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- It provides independent review of the Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- It promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for

Members of the Council (including co-opted Members and other persons acting in a similar capacity).

The Audit & Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its terms of reference which can be found in the Council's [Constitution](#).

Meetings of the Audit & Governance Committee were held on the following dates in the 2018/19 municipal year:

- 31st May 2018
- 31st July 2018
- 27th September 2018
- 6th December 2018
- 14th March 2019

More information on the Audit & Governance Committee Meetings, including agendas, minutes and attendance details is available [here](#).

3. Governance, Risk and Control within Cheshire East Council

Reports have been received by the Audit and Governance Committee in the following areas, providing assurance and updates on the Council's governance, risk and control framework over the past year.

Internal Audit

| Meeting | Reports received |
|-------------------|---|
| 31 May 2018 | Internal Audit Annual Report 2017/18 |
| 31 July 2018 | Internal Audit Procurement Review |
| 27 September 2018 | Internal Audit 2018/19 Plan Progress Update |
| | Outcome of the External Assessment of Internal Audit and Compliance with the Public Sector Internal Audit Standards |
| 14 March 2019 | Internal Audit Interim Report 2018/19 |
| | Internal Audit Plan 2019/20 |

External Audit

| Meeting: | Reports received: |
|-------------------|---|
| 31 May 2018 | External Audit Progress and Update report |
| 31 July 2018 | External Audit Findings & Action Plan 2017/18 |
| 27 September 2018 | Annual Audit Letter 2017/18 |
| 6 December 2018 | External Audit Plan 2018/19 |
| 14 March 2019 | External Audit Plan 2018/19 Update |
| | Certification Report 2017/18 |

Risk Management

| Meeting: | Reports received: |
|-------------------|-------------------------------|
| 31 May 2018 | Annual Risk Management Update |
| 31 July 2018 | Risk Management Update Report |
| 27 September 2018 | Risk Management Update Report |

Corporate Governance & Annual Governance Statement (AGS)

| Meeting: | Reports received: |
|-----------------|--|
| 31 May 2018 | Draft Annual Governance Statement 2017/18 |
| | Compliance with the Freedom of Information Act (2000), Environmental Information Regulations (2004) and the Data Protection Act 1998 |
| | Compliance with the Regulation of Investigatory Powers Act 2000 |
| | Customer Feedback - Complaints, Compliments and Referrals to the Local Government Ombudsman 2017/18 |
| 31 July 2018 | Annual Governance Statement 2017/18 |
| 6 December 2018 | Annual Governance Statement and Code of Corporate Governance Review |

Accounts, Financial Statements & Treasury Management

| Meeting: | Reports received: |
|-------------------|--|
| 31 May 2018 | Draft Pre-Audit Statement of Accounts 2017/18 |
| 31 July 2018 | Annual Statement of Accounts 2017/18 |
| 28 September 2018 | Treasury Management Annual Report 2017/18 |
| 6 December 2018 | Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2019/20 |

Information Governance

| Meeting: | Reports received: |
|-----------------|--|
| 31 May 2018 | Information Governance Update |
| 31 July 2018 | Update on the Council's readiness for GDPR |

Significant assurances the Committee has received during the year include:

- **2017/18 Internal Audit opinion:**
This was presented to the 31 May 2018 meeting.
- **2017/18 Financial Statements Opinion (External Audit):**
This was presented to the 31 July 2018 meeting.
- **2017/18 Value for Money (VFM) Conclusion (External Audit):**
This was presented to the 27 September 2018 meeting.

4. Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The 2017/18 self-assessment was carried out with the Chair and Vice Chair against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2013 and the results reported to the Committee in May 2018.

The Committee self-assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented. In receiving the report in May 2018, the Committee noted the self-assessment and agreed that a further report on the progress of the actions be considered at a future meeting of the Committee.

The Committee's 2018/19 Work Plan was developed in line with the Committee's Terms of Reference to ensure that the Committee continued to work effectively and fulfil its purpose.

CIPFA released updated guidance for Audit Committees: "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition" in March 2018. The Committee's Terms of Reference was reviewed against the guidance, updated where necessary and put to the Committee in September 2018 for consideration. Following this, the amended Terms of Reference were put to the Constitution Committee (November 2018) and approved by Council on 13 December 2018.

A self assessment of the Committee's effectiveness against the updated guidance will be undertaken and reported on as part of the 2019/20 work programme.

5. Additional Assurance

It was agreed at the Committee's December 2015 meeting that future annual reports of the Committee be expanded to include greater details on any areas of work requested to provide additional assurance to the Committee along with an explanation as to how this added value to the work of the Committee.

Additional assurance work requested by the Committee has been provided around emerging issues including:

Ombudsman complaints and lessons learnt

The Committee received update reports at each meeting detailing the decision notices received by the Council from the Local Government Ombudsman. The detailed reports provided the Committee with information on those decision notices which concluded that there had been maladministration causing injustice.

During 2018/19, the reports have also been supported by the attendance of senior managers from the services involved to provide assurance to the Committee that lessons have been learned from the issues and actions implemented.

Furthermore, the Committee also received a report at their September 2018 meeting detailing the referrals to the Local Government and Social Care Ombudsman for 2017/18.

Procurement Review

In July 2018, the Committee considered a report on an Internal Audit review of Procurement, which superseded a review initially commenced during 2015 which was paused as a result of a police investigation into the award of contracts. The audit report detailed the three risks identified for the review, Internal Audit's findings and the management response to the findings in relation to the third risk. The Committee received assurance that actions were being implemented/had been implemented to address the findings of the report.

In receiving the updates, the Committee is complying with its Terms of Reference in considering reports on the effectiveness of internal controls and requesting summaries of specific internal audit reports.

Reporting of all WARNS's (Waiver and Record of Non-adherence)

The Audit and Governance Committee has a key role in overseeing governance arrangements and requirement to review all approved WARNS. The WARN process forms part of the Contract Procedure Rules(CPR's) which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability.

Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered as part two, following exclusion of press and public from the meeting pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

The Committee has noted that the number of waivers and non-adherences being reported has significantly and consistently reduced since the reports were first presented. This provides assurance to the Committee on the positive impact of the changes to the Council's procurement management.

Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards (PSIAS)

In September 2017, the Committee received an update report on the Independent Public Sector Internal Audit Standards external assessment which subsequently took place in January 2018. The findings of the assessment were shared with the Committee in September 2018. The overall judgement of the assessors was that the service was "Partially Compliant" with the Public Sector Internal Audit Standards. An action plan has been developed to address the areas of partial and non-compliance and the Committee has received updates on the implementation of actions through the Internal Audit update reports.

Best4Business Project

In July 2018, the Committee received a presentation on the governance arrangements for the Best4Business project. This provided the Committee with clarity on the governance arrangements in place at the time for this

project which is being undertaken jointly with Cheshire West and Cheshire Council.

Member's Code of Conduct

The Committee received update reports in September 2018 and March 2019 relating to the Member's Code of Conduct. The reports detailed the number of complaints made against Cheshire East Councillors and Town and Parish Councillors; the paragraph of the Code alleged to have been breached and the outcome of each complaint, where completed. This information is provided to support the Committee's role in monitoring and maintaining high ethical standards within the authority.

Mandatory Declarations of Interest

In December 2018, 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.

The Committee noted that there were adequate provisions in the Member Code of Conduct to appropriately deal with conflicts of interest that may arise in decision making. Also, the Committee declined to particularise any outside organisation in the Code of Conduct.

6. Members of the Committee

Members of the Committee during the 2018/19 municipal year are set out in **Appendix 2**.

Following the local elections in May 2019 wholesale changes were made to the Committee membership. Whilst this does not impact upon the work undertaken during 2018/19 details of the new Committee membership have also been provided for reference.

The Audit and Governance Committee has been supported by Officers providing reports in accordance with the Committee's work programme and at the request of the Committee.

The Committee has routinely been attended by the Interim Executive Director of Corporate Services, Acting Chief Executive, Acting Director of Legal Services & Interim Monitoring Officer, the Head of Finance and Performance (Acting Section 151 Officer) and the Executive Director of Place.

The Corporate Manager - Governance & Audit left the Authority in February 2017 and, as such, the Principal Auditors continued their acting up arrangements to provide support and guidance to the Committee as would be provided by the Head of Internal Audit role.

7. Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out statutory requirements including approving the Financial Statements and the Annual Governance Statement.

It has also ensured that it is up to date in adopting new guidance and/or recommended practice. As referenced in Section 4 of this report, the Committee's terms of reference was reviewed against the recently released CIPFA guidance "*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*" and subsequently updated to ensure compliance with best practice. Committee members were provided with a copy of the guidance for reference purposes.

8. Training and Development

The following training was carried out during the 2018/19 year:

- Induction for new and deputising Members of the Committee
- Annual Governance Statement & Role of the Audit Committee
- Risk Management
- Approving the Financial Statements

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

The training and development programme for Members of the Committee is informed by an annual skills assessment exercise. This was deferred until after the local elections in May 2019 to ensure that it captured membership of the Committee going forward into 2019/20.

9. Work programme for 2019/20

The Committee has an agreed work programme for 2019/20, which includes the annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular

reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas.

The forward looking work programme ensures comprehensive coverage of the Committee's responsibilities and in addition to this, the Committee will:

- Continue to develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified as early as possible and remedial actions are taken in a timely fashion;
- Oversee any development required of the Audit and Governance Committee work programme to comply with the requirements of recently updated CIPFA Audit Committees guidance;
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and moves towards becoming an open and transparent public organisation;
- Continue to support the work of internal and external audit and ensure that responses are given to their recommendations;
- Receive assurance on compliance with best practice such as the updated Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit;
- Continue to support the Council in managing the risk of fraud and corruption;
- Continue to develop the Audit and Governance Committee to review risk and partnership issues and safeguarding of public sector assets; and
- Equip existing and new Members to fulfil their responsibilities by providing more detailed and focused training on all key areas of responsibility, including financial arrangements and risk management, governance and audit planning.

How the Audit and Governance Committee's Terms of Reference were met during 2018/19:







| Terms of Reference of Committee | Relevant activity in 2018/19 |
|---|---|
| Annual Report | |
| 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. | The July 2018 Committee meeting reviewed the 2017/18 annual report, this was subsequently received and noted by Council in October 2018. |
| Governance, Risk and Control | |
| To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. | The Committee received an Annual Governance Statement progress report in December 2018 |
| 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. | The Committee received the Draft Annual Governance Statement in May 2018 and approved the final 2017/18 Annual Governance Statement (AGS) in July 2018. In addition, an update report was received in December 2018. |
| To monitor the effective development and operation of risk management in the council. | The Committee received update reports on Risk Management in May 2018, July 2018, and September 2018. |
| To monitor progress in addressing risk related issues reported to the committee and to review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources. | The Committee monitors Anti-Fraud and Corruption arrangements through regular updates on activity provided as part of the regular Internal Audit update reports. |
| To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice. | The Treasury Management 2017/18 Annual Report was received in September 2018. The 2018/19 Draft Treasury Management Strategy and Minimum Revenue Position (MRP) Statement was reviewed at the |






| Terms of Reference of Committee | Relevant activity in 2018/19 |
|--|--|
| | December 2018 meeting. |
| Internal Audit | |
| To approve the internal audit charter. | An updated Internal Audit Charter was approved at the December 2018 Committee meeting. |
| 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. | <p>The Committee approved the 2018/19 Internal Audit Plan in March 2018. The Committee monitored progress against the plan in September 2018 and March 2019.</p> <p>The 2019/20 Internal Audit Plan was approved at the March 2019 Committee.</p> |
| To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions. To consider summaries of specific internal audit reports as requested. | <p>Internal Audit interim reports against the 2018/19 plan were received in September 2018 and March 2019.</p> <p>Internal Audit interim reports include a summary of Internal Audit work completed and the significant issues arising from individual assignments.</p> |
| To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years. | <p>The Committee is updated in the Head of Internal Audit annual opinion report on the progress made on assessment criteria required to comply with the Public Sector Internal Audit Standards.</p> <p>The Committee received a report on the outcome of the External Assessment of Internal Audit and Compliance with the Public Sector Internal Audit Standards in September 2018.</p> |
| To consider the Head of Internal Audit's annual report. | The 2017/18 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in May 2018. |
| To support the development of effective communication with the Head of Internal Audit. | The Principal Auditors (due to the vacant Corporate Manager Governance and Audit post), met on a regular basis with the |

| Terms of Reference of Committee | Relevant activity in 2018/19 |
|--|--|
| | Chair and Vice Chair of the Committee. |
| External Audit | |
| To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. | <p>The 2017/18 Audit Findings Report and Action Plan were presented to Committee in September 2018 by the External Auditor.</p> <p>The 2017/18 Annual Audit Letter was reported to the September 2018 Committee meeting.</p> |
| To consider specific reports as agreed with the external auditor. | The Committee received and considered the work of the External Auditor (all meetings during the year). |
| To comment on the scope and depth of external audit work and to ensure it gives value for money | Regular reports are received from the External Auditors who also meet with the Chair and Vice Chair prior to each Committee meeting. |
| To commission work from internal and external audit and to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. | <p>The Committee consider the work plan at all meetings and commission additional work where Committee members determine that additional assurance is required.</p> <p>The relationship between Internal and External Audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.</p> |
| Financial Reporting | |
| 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. | <p>The draft Statement of Accounts 2017/18 was presented to the Committee in May 2018.</p> <p>The Statement of Accounts 2017/18 was approved by the Committee in July 2018.</p> |
| To consider the external auditor's report to those charged with | The 2017/18 Audit Findings and Action Plan were presented to |

| Terms of Reference of Committee | Relevant activity in 2018/19 |
|--|---|
| governance on issues arising from the audit of the accounts. | <p>Committee in July 2018 by the External Auditor.</p> <p>The 2017/18 Annual Audit Letter was reported to the Committee in September 2018.</p> |
| Related Functions | |
| To approve and monitor Council policies relating to “whistleblowing” and anti-fraud and corruption. | <p>The Committee is provided with updates in relation to these matters via the interim reports on internal audit activity received during the year.</p> <p>Details relating to whistleblowing statistics will be reported via the Monitoring Officer report which is to be introduced during 2019/20.</p> |
| To seek assurance that customer complaint arrangements are robust | The Committee received regular update reports throughout 2018/19 on the number of decision notices received from the Local Government and Social Care Ombudsman. |
| Standards | |
| Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). | Members Code of Conduct Standards Reports recording decisions relating to complaints were submitted to the Committee in September 2018 and March 2019. |
| Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct. | Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year. |
| Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority. | The Committee meeting in September 2016 approved the Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2020). |

Membership of the Audit and Governance Committee during 2018/19:








| Members of the Audit and Governance Committee during 2018/19 | |
|---|---|
|  | <p>Councillor Gordon Baxendale (Chair)</p> <p>Councillor Baxendale was an elected member with Cheshire East from its inception in April 2009, and a member of the Audit and Governance Committee from June 2015 until May 2019. He chaired his first meeting in December 2016.</p> |
|  | <p>Councillor Mike Sewart (Vice Chair)</p> <p>Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p> |
|  | <p>Councillor Sam Corcoran</p> <p>Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and served on the Audit and Governance Committee until May 2019.</p> |
|  | <p>Councillor Tony Dean</p> <p>Councillor Dean became an elected member of Cheshire East Council in May 2015. He served on the Committee between June 2017 and May 2019.</p> |
|  | <p>Councillor Rod Fletcher</p> <p>Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Committee since May 2011.</p> |
|  | <p>Councillor Les Gilbert</p> <p>Councillor Gilbert has been an elected member of Cheshire East Council since its beginning in April 2009. He served on the Committee from May 2016 to May 2019.</p> |




| Members of the Audit and Governance Committee during 2018/19 | |
|---|---|
|  | <p>Councillor Martin Hardy</p> <p>Councillor Hardy was an elected member of Cheshire East Council since its beginning in April 2009. He has previously served on the Audit and Governance Committee since its inception in June 2010 until December 2016 and was Vice-Chair from May 2011 to January 2012.</p> |
|  | <p>Councillor Andrew Kolker</p> <p>Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p> |
|  | <p>Councillor Nick Mannion</p> <p>Councillor Mannion became an elected member of Cheshire East Council in May 2015. He served on the Committee from March 2017 to May 2019.</p> |
|  | <p>Councillor Gill Merry</p> <p>Councillor Merry was an elected member of Cheshire East Council since its beginning in April 2009. She served on the Committee from June 2017 to May 2019.</p> |
|  | <p>Councillor Amanda Stott</p> <p>Councillor Stott became an elected member of Cheshire East Council in May 2015, and was a member of the Audit and Governance Committee from June 2015 until May 2019.</p> |
| No image available. | <p>Philip Gardener</p> <p>Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p> |

It should also be noted that the following Councillors deputised for members of the Audit & Governance Committee, the Councillors received the necessary induction training prior to the meetings:

6th December 2018:

- Councillor M Deakin

| Current members of the Audit and Governance Committee 2019/20 | |
|---|---|
|  | <p>Councillor Rod Fletcher (Chair)</p> <p>Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Committee since May 2011. He chaired his first meeting in May 2019.</p> |
|  | <p>Councillor Rachel Bailey (Vice-Chair)</p> <p>Councillor Bailey has been an elected member of Cheshire East Council since its beginning in April 2009. She joined the Committee in May 2019.</p> |
|  | <p>Councillor Mike Sewart</p> <p>Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p> |
|  | <p>Councillor Andrew Kolker</p> <p>Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p> |
|  | <p>Councillor David Edwardes</p> <p>Councillor Edwardes became an elected member of Cheshire East Council in May 2019.</p> |
|  | <p>Councillor Byron Evans</p> <p>Councillor Evans became an elected member of Cheshire East Council in May 2019.</p> |
|  | <p>Councillor Andrew Gregory</p> <p>Councillor Gregory became an elected member of Cheshire East Council in May 2019.</p> |

| Current members of the Audit and Governance Committee 2019/20 | |
|---|--|
|  | <p>Councillor Sally Handley Councillor Handley became an elected member of Cheshire East Council in May 2019.</p> |
|  | <p>Councillor Steven Hogben Councillor Hogben has been an elected member of Cheshire East Council since June 2011. He joined the Committee in May 2019.</p> |
|  | <p>Councillor Marilyn Houston Councillor Houston became an elected member of Cheshire East Council in May 2019.</p> |
| No image available. | <p>Philip Gardener Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p> |



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Counter Fraud Update

Senior Officer: Jan Bakewell, Director of Governance and Compliance Services

1. Report Summary

- 1.1. The Audit and Governance Committee has responsibility for overseeing the Council's arrangements to counter the threat of fraud and corruption. As such, it is important that the Committee is kept up to date with the latest developments, both locally and nationally.
- 1.2. This report provides members with:
 - 1.2.1. an overview of developments that are taking place nationally
 - 1.2.2. an update on counter fraud activity in Cheshire East
 - 1.2.3. details of ongoing work to ensure compliance with best practice and improve Cheshire East's resilience to the threat of fraud and corruption.

2. Recommendation

- 2.1. That the Committee considers and notes the content of the report.

3. Reasons for Recommendations

- 3.1. In order to ensure that the Council has robust arrangements to counter the threat of loss through fraud and corruption it is essential that the relevant systems and procedures are subject to regular review against best practice and that identified weaknesses are managed.
- 3.2. The role of the Audit and Governance Committee in overseeing the Council's counter fraud arrangements is crucial for the Council to achieve its anti fraud and corruption objectives.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

National Picture

- 5.1. Fraud is a major issue facing the United Kingdom, and local government is not immune from this. The last and most comprehensive set of figures relating to the scale of fraud losses was published in the Annual Fraud Indicator 2013. This was prepared by the National Fraud Authority prior to it being dissolved in March 2014, and estimated total fraud loss against public bodies as £20.6bn with £2.1bn of this relating to Local Government.
- 5.2. Following the abolition of the National Fraud Authority, responsibility for the promotion of anti-fraud and corruption arrangements was passed to CIPFA.
- 5.3. In response, CIPFA launched the Counter Fraud Centre in July 2014 to lead and co-ordinate the fight against fraud and corruption across public services. It is the UK's centre of excellence for counter fraud.
- 5.4. The Centre has close links with the Ministry of Housing Communities and Local Government (MHCLG), the National Crime Agency (NCA), Cabinet Office and other agencies with the aim of supporting counter fraud practitioners:
 - 5.4.1. Save money by increasing organisations' ability to detect, prevent and recover losses from fraud.
 - 5.4.2. Protect reputations by providing access to a comprehensive package of tools, training and consultancy to manage and minimise risk.
 - 5.4.3. Develop valuable skills by offering new professional qualifications as well as CPD modules that explore the latest counter fraud threats and issues.
- 5.5. One of the first outputs from the centre was the publication, in October 2014, of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- 5.6. The Code is based upon the following five principles and the guidance notes provide detailed information on the implementation of each:
 - 5.6.1. Acknowledge the responsibility of the governing body for countering fraud and corruption
 - 5.6.2. Identify the fraud and corruption risks
 - 5.6.3. Develop an appropriate counter fraud and corruption strategy

- 5.6.4. Provide resources to implement the strategy
- 5.6.5. Take action in response to fraud and corruption
- 5.7. In addition to the Code of Practice, “Fighting Fraud and Corruption Locally” is the national counter fraud and corruption strategy for local government. The strategy covers the financial years from 2016-2019 and aims to enable local authorities to:
 - 5.7.1. develop and maintain a culture in which fraud and corruption are understood to be unacceptable;
 - 5.7.2. understand their fraud risk and prevent fraud more effectively;
 - 5.7.3. use technology to improve their response;
 - 5.7.4. share information and resources more effectively to prevent and detect fraud loss;
 - 5.7.5. bring fraudsters to account more quickly and efficiently; and
 - 5.7.6. improve the recovery of losses.
- 5.8. An updated “Fighting Fraud and Corruption Locally” is currently in development and a member of the Cheshire East Council Internal Audit team has contributed to focus groups and workshops held nationally to shape and develop the strategy.
- 5.9. In addition, the Council has recently worked with MHCLG on a country-wide procurement fraud project. The aim of the project was to identify and quantify the risk to local government of procurement fraud and to develop strategies that can be used to mitigate this risk. MHCLG are expected to issue their report towards the end of 2019.

Counter Fraud activity in Cheshire East

- 5.10. The National Fraud Initiative (NFI) is a biennial national data matching exercise under the jurisdiction of the Cabinet Office. The NFI exercise matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local authorities and a number of private sector bodies. Over 1,200 participating organisations take part in the NFI.
- 5.11. The original purpose of the exercise was to detect benefit fraud and, although this remains a major objective, the scope of the exercise has extended to include other areas of local authority expenditure.

- 5.12. These exercises have been very successful and it is estimated that nationally, fraud and error totalling in excess of £300m was prevented or detected during April 2016 to March 2018. This was a record for the NFI in any reporting period since its creation in 1996, and brings the cumulative outcomes across the country to around £1.69 billion.
- 5.13. The Internal Audit team undertakes the key coordination role in relation to NFI ensuring that data sets are correctly extracted and uploaded within timescales, releasing matches to the appropriate services for investigation and monitoring progress to ensure that investigations are undertaken and the outcomes reported to Cabinet Office within the 2-year timescale for completion.
- 5.14. For the 2016/17 NFI exercise, Cheshire East Council received 100 reports with a total of approximately 9,700 matches across the various types of datasets. Officers within the relevant services targeted and reviewed over 3000 matches, identifying outcomes totalling approximately £9,000. These outcomes are made up of recovered amounts and savings resulting from stopping a discount or service that the individual is not entitled to.
- 5.15. Results from the latest exercise were released to the Council in early 2019 with the Council receiving 83 reports containing approximately 9,200 matches.
- 5.16. Work to investigate the matches is continuing and currently over 2000 matches have been reviewed, with outcomes of approximately £11,000 identified.
- 5.17. In addition to the main exercise detailed above, Cheshire East Council also participates in the NFI Flexible Matching Service (FMS) which takes place every December. This exercise matches electoral roll data to council tax records to identify false claims for Single Person Discount and the results are subject to review by the council tax team.
- 5.18. Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud.
- 5.19. The Council has an Anti-Fraud & Corruption Policy which provides a framework for preventing and tackling fraudulent and corrupt acts against the Council. It establishes the Council's zero tolerance attitude to fraud and sets out the roles and responsibilities of officers and members. The policy will be reviewed against CIPFA's "Code of Practice for Managing the Risk of Fraud and Corruption" as part of developing the Council's Counter Fraud Strategy and resource.

- 5.20. The Internal Audit team maintain a Fraud and Bribery Risk Assessment which is produced in conjunction with service managers and details operational level risks along with the mitigating controls that are in place.
- 5.21. This allows managers the opportunity to focus on how fraud could impact upon their service areas thus raising awareness of the issue across the Council. It also enables targeted pieces of pro-active audit work to test the controls in place to prevent and detect fraud and provide assurance as to the effectiveness of these controls.

Whistleblowing

- 5.22. The Council also has well established whistleblowing arrangements which provide officers, members and others with a confidential reporting process should they have any concerns around wrongdoing.
- 5.23. The current policy is based upon the Protect (formally Public Concern at Work) model policy and was approved by Audit and Governance Committee in March 2018. The policy is subject to regular review against best practice and operational learning.
- 5.24. No changes are proposed to the policy at this time following the most recent review of arrangements. The Council's policy still reflects Protect's model policy and there have been no issues arising which would require any amendment.
- 5.25. Information relating to referrals received during 2018/19 was reported to the Committee in July 2019 as part of the Monitoring Officer's Annual Report.

Recent Counter Fraud Activity

- 5.26. During 2018/19 Internal Audit undertook 5 investigations into allegations of fraud against the Council and has continued to liaise with the police in support of these matters during the current financial year. Counter Fraud activity is reported to the Committee as part of the regular Internal Audit plan progress updates.
- 5.27. Four of those prosecutions have concluded during the year with the following outcomes:
 - 5.27.1. 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. The losses identified during the Internal Audit investigation totalled approximately £8,100.

- 5.27.2. A former senior support worker pleaded guilty to fraud by false representation and was sentenced to 100 hours unpaid work. The losses identified during the Internal Audit investigation totalled approximately £16,000.
- 5.27.3. A decision was taken by the CPS not to prosecute a third former officer for fraud by false representation. The losses identified during the Internal Audit investigation totalled approximately £12,150.
- 5.27.4. A total of £8,601.22 has been recovered as a result of the actions taken.

Ongoing Work and Future Developments

- 5.28. It has previously been reported to Audit and Governance Committee via Internal Audit update reports that there is an intention to develop a dedicated counter fraud and investigative resource as part of a wider restructure of the Internal Audit team.
- 5.29. This process is ongoing and once completed will ensure that the Council is sufficiently resourced to ensure it maintains a robust defence against fraud and corruption without impacting upon existing Internal Audit staff.
- 5.30. Establishment of a counter fraud function will provide Cheshire East with the opportunity to further develop the Council's Counter Fraud Culture and ensure compliance with the Code of Practice on Managing the Risk of Fraud and Corruption.
- 5.31. Key to this will be the production of a Counter Fraud Strategy that will continue to develop and drive the arrangements in place to prevent, detect and take action against fraudulent activity targeted at Cheshire East Council.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs. The responsibilities of public sector entities in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance. Local government entities have a statutory duty to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for the administration of these arrangements (Section 151 officer).

6.2. Finance Implications

6.2.1. An overriding responsibility of the Council is the provision of effective and efficient services in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements. Hence the Council must have appropriate policies and mechanisms to safeguard the Council's resources and reduce losses to fraud and corruption in all areas to an absolute minimum.

6.2.2. The development of the Council's counter fraud resource will be managed within the Council's MTFS process.

6.3. Policy Implications

6.3.1. The Council's Anti Fraud and Corruption Policy will be subject to regular review to ensure that it continues to be fit for purpose. The outcome of such reviews will be reported to Audit and Governance Committee.

6.4. Equality Implications

6.4.1. There are no equality implications identified.

6.5. Human Resources Implications

6.5.1. Additional resources will be required to enable the establishment of a counter fraud function. This will be considered as part of a wider restructure in accordance with established HR Procedures.

6.6. Risk Management Implications

6.6.1. The Council as a large organisation is at risk of loss due to fraud and corruption both from within and outside the Council. The impact of fraud against the Council can have consequences that are serious and often far reaching. Whilst financial loss is the obvious key risk, the undermining of public confidence that can result from the discovery of a fraudulent or corrupt act can inflict a much greater damage than the act itself. In order to mitigate this risk the Council needs to be explicit about the way fraud will be regarded and managed.

6.6.2. As such the following fraud and corruption risk is recorded on the Corporate Risk Register "CR6 - Risk that the Council fails to have proper, adequate, effective and efficient management arrangements, policies and procedures in place to mitigate the risk of fraud and corruption, particularly in a time of financial pressure, such that public money is misappropriated. This would result in a loss of funds to the Council, have a detrimental effect on services users, a negative impact

on the Council's ability to achieve all of its priorities, value for money, and may have a negative impact on the Council's reputation.

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/cared for children.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change.

7. Ward Members Affected

7.1. All Ward Members as losses to fraud could impact on the whole Council.

8. Access to Information

8.1. Any requests for additional information relating to this report and general counter fraud matters should be directed to Michael Todd, Acting Internal Audit Manager.

9. Contact Information

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

Name: Michael Todd

Job Title: Acting Internal Audit Manager

Email: michael.todd@cheshireeast.gov.uk



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Committee Work Plan

Senior Officer: Jan Bakewell, Director of Governance and Compliance

1. Report Summary

- 1.1. This report presents the Committee's Work Plan for 2019/20 (Appendix A) to the Committee for consideration.

2. Recommendations

- 2.1. That the Committee:
 - 2.1.1. considers the Work Plan and determine any required amendments;
 - 2.1.2. notes that the plan will be brought back to the Committee throughout the year for further development and approval.

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 effectively.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. 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 identify any amendments that will enable it to meet its responsibilities.

- 5.2. 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.
- 5.3. 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.
- 5.4. In order to help with their deliberations, Members are asked to consider the following:
 - 5.4.1. that care is 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.
 - 5.4.2. that the Audit and Governance committee should operate at a strategic level and any time consuming aspects of the Committee's business should be addressed elsewhere. Matters of operational detail should be resolved by service managers.
 - 5.4.3. that the number and frequency of reports should be proportional to the risk ensuring the core business of the committee gives sufficient focus and attention, avoiding lengthy or unproductive meetings.
- 5.5. The Annual Audit and Governance Committee Self Assessment is deferred to December 2019 as additional time has been allowed for Members to complete the skills assessment which will inform part of the self assessment.
- 5.6. Update reports on Risk Management and the Code of Conduct have also been re-scheduled to the December agenda. This will ensure that the reports reflect the half year position.
- 5.7. A separate report reviewing the Council's Whistleblowing Policy and Procedure was scheduled for October; the Committee received details of

the whistleblowing reports received in 2018/19 as part of the Monitoring Officer Annual Report. A review of the current policy has been included within the Counter Fraud Report on this meeting's agenda.

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. Policy Implications

- 6.3.1. There are no policy implications in this report.

6.4. Equality Implications

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

6.5. Human Resources Implications

- 6.5.1. 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.

6.6. Risk Management Implications

- 6.6.1. 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:

- 6.6.1.1. raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations,
- 6.6.1.2. increase public confidence in the objectivity and fairness of financial and other reporting

6.6.1.3. reinforce the importance and independence of internal and external audit and any other similar review process

6.6.1.4. provide additional assurance through a process of independent and objective review

6.7. Rural Communities Implications

6.7.1. There are no implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no implications for public health.

6.10. Climate Change Implications

6.10.1. There are no climate change implications in this report.

7. Ward Members Affected

7.1. All wards affected.

8. Consultation & Engagement

8.1. The Work Plan for 2019/20 was prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee and approved by the Audit and Governance Committee in March 2019.

8.2. A review of the Committee's Work Plan has recently been undertaken by Committee Members. The outcome of this review will be reflected in the Work Plan reported to the December Committee.

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: Josie Griffiths

Job Title: Head of Audit and Risk

Email: josie.griffiths@cheshireeast.gov.uk

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|--|--|--|---|
| Agenda Item | Description | No | Detail |
| 3rd October 2019 | | | |
| External Audit Update including Annual Audit Letter 2018/19 (Mazars) | Update from External Audit including the Annual Audit Letter for 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. |
| Upheld Complaints to the Local Government Ombudsmen | <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 Chair to establish:</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • 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. | 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> <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> |
| 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

| | | Extract from Committee Terms of Reference – (December 2018) | |
|--|---|--|---|
| Agenda Item | Description | No | Detail |
| Revised Draft – Annual Report of the Audit and Governance Committee | Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council. (Committee asked for it to be brought back for consideration at next meeting ahead of going 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 | This report will update the Committee with: <ul style="list-style-type: none"> • an overview of developments that are taking place nationally, • an update on anti-fraud and corruption activity at Cheshire East; and • 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. 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. |
| Work Plan 2019/20 | Forward looking programme of meetings and agenda items for 2018/19 to ensure | ALL | ALL |

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|--|---|--|--|
| Agenda Item | Description | No | Detail |
| | comprehensive coverage of the Committee's responsibilities. | | |
| 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. |
| 5th December 2019 | | | |
| 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 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 |

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | | | 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 Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. |
| Members Code of Conduct: Standards Report (Update Report) | To note the numbers and outcomes of complaints made under the Code of Conduct for Members to the end of September 2019 | 109 | To promote high standards of ethical behaviour by developing, maintaining and monitoring the Code of Conduct for Members of the Council (including 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. |
| 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. |
| Annual Audit and Governance Committee Self | 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 |

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|--|--|--|--|
| Agenda Item | Description | No | Detail |
| Assessment | | | meeting its purpose. |
| 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. |
| 12th March 2020 | | | |
| External Audit 2019/20 Progress and Update Report | 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 September 2019-February 2020. | 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). |
| 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

| | | Extract from Committee Terms of Reference – (December 2018) | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| Draft Internal Audit Plan 2020/21 | Approval of the summary risk based Internal Audit Plan for 2020/21. | 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. |
| 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. |
| Unscheduled | | | |
| 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 Chair to establish:</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to | 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> <p>(b) The Ombudsman operates protocols in relation to</p> |

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|---|--|--|---|
| Agenda Item | Description | No | Detail |
| | <p>be reported on to the next agenda</p> <ul style="list-style-type: none"> • the appropriate part of the agenda for the report to be considered • 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. | | 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. |
| Monitoring Officer Interim Report 2019/20 | Update on matters reported in the Monitoring Officer Annual Report 2018/19 and emerging issues to date in 2019/20. | 110 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Approach to disclosure of Internal Audit Reports <i>Carried forward from 2018/19 work plan</i> | 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 | <p>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:</p> <p>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.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>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.</p> |
| | | 129 | To consider summaries of specific internal audit |

Work Plan 2019/20

| | | Extract from Committee Terms of Reference – (December 2018) | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | | | 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. |
| Members Code of Conduct <i>Requested at March 2019</i> | Members requested a review of the information provided to Committee regarding the Members Code of Conduct | 109 | To promote high standards of ethical behaviour by developing, maintaining and monitoring the Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). |



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 03 October 2019

Report Title: Waivers and Non-Adherences (WARNs)

Senior Officer: Alex Thompson – Director of Finance and Customer Services - S151 Officer

1. Report Summary

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number of cases where, and reasons why, procurement activity has required the use of waivers and/or non-adherences (WARNs). The report covers approved cases between the 1st July 2019 and the 31st August 2019.
- 1.2. The approved WARNs are published retrospectively for information on the next appropriate Audit and Governance Committee. The total number of WARNs to be presented to the July Audit and Governance Committee is 2 (consisting of 2 Waivers and 0 Non adherences).
- 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

That the Audit and Governance Committee:

- 2.1. Notes the number and reason for 2 further waivers approved between 1st July 2019 and 31st August 2019 (9 in total).

3. Reasons for Recommendation

- 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 next Committee meeting. This report contains all WARNs approved from the 1st July 2019 to the 31st August 2019 (2 in total).

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 competition.

Table 1: WARNs have significantly reduced in the last three years

| WARNs | 2016-2017 | 2017- 2018 | 2018-2019 | April - Aug 2019 |
|--------------------|------------------|-------------------|------------------|-------------------------|
| Non Adherence | 33 | 10 | 5 | 0 |
| Waiver | 40 | 20 | 16 | 9 |
| Grand Total | 73 | 30 | 21 | 9 |

5.2. The total number of WARN's for 2018-2019, at 21, was a further reduction of 30% from the previous year. This reduction in waivers and non adherences is the result of improved forward planning, better information such as enhanced contracts register and Council pipeline/workplan of procurements 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. This is supported by effective commissioning, procurement processes and appropriate contract management.

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. Comments focus on the Service having identified sufficient existing budget to cover the proposal, and has considered how to achieve best value for money via this particular recommended course of action.

6.3. Policy Implications

6.3.1. There are no direct policy implications.

6.4. Equality Implications

6.4.1. There are no direct equality implications.

6.5. Human Resources Implications

6.5.1. There are no direct implications for human resources

6.6. Risk Management Implications

6.6.1. 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.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1 There are no direct implications for public health.

7. Ward Members Affected

7.1. N/A

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: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: lianne.halliday@cheshireeast.gov.uk

Appendix 1

CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING

| | |
|----------|--|
| A | Genuine Emergency – which warrant an exception to the requirements |
| B | Specialist Education or Social Care Requirements |
| C | Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available. |
| D | Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure |
| E | 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. |
| F | No valid tender bids received, therefore direct award can be substantiated |
| G | Lack of Planning |
| H | Other – Any other valid general circumstances up to the EU threshold |

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