

Audit and Governance Committee Agenda

Date: Thursday 25th November 2021
Time: 2.00 pm
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

PLEASE NOTE – This meeting is open to the public and anyone attending this meeting is required to wear a face covering upon entering and leaving the venue and only be removed when seated.

The importance of undertaking a lateral flow test in advance of attending any committee meeting. Lateral Flow Testing: Anyone attending is asked to undertake a lateral flow test on the day of any meeting before embarking upon the journey to the venue. Please note that it can take up to 30 minutes for the true result to show on a lateral flow test. If your test shows a positive result, then you must not attend the meeting, and must follow the advice which can be found here:
https://www.cheshireeast.gov.uk/council_and_democracy/council_information/coronavirus/testing-for-covid-19.aspx

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

It should be noted that Part 1 items of Cheshire East Council decision making 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 the Council's Committee Procedure Rules and Appendix on Public Speaking a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days' in advance of the meeting and should include the question with that notice.

4. **Minutes of Previous Meeting** (Pages 5 - 14)

To approve as a correct record the minutes of the meeting held on 30 September 2021.

5. **Annual Audit Letter 2020/21 and Certification Report**

To report on progress against the external audit of the 2020/21 accounts.
Report to follow

6. **Annual Statement of Accounts 2021/22**

To report on progress against the Annual Statement of Accounts 2020/21.
Report to follow

7. **Annual Governance Statement 2020/21**

To report on progress against the Annual Governance Statement 2020/21.
Report to follow.

8. **Audit and Governance Committee Annual Report 2021/22** (Pages 15 - 38)

To consider the Audit and Governance Committee Annual Report 2021/22.

9. **Risk Management Update** (Pages 39 - 48)

To receive an update on the risk management and business continuity activity in the Council.

10. **Internal Audit 2021/22 Plan Progress Update** (Pages 49 - 66)

To consider a progress report on the Internal Audit Plan 2021/22.

11. **Procurement of External Audit Services** (Pages 67 - 72)

To consider the proposals for appointing the Council's external auditors for the five-year period from 2023/24 and make a recommendation to Council.

12. **Committee Work Programme**

To consider the Work Programme and determine any required amendments.
Report to follow.

13. **Contract Procedure Rule Non-Adherences** (Pages 73 - 78)

To consider the report deferred at the meeting of the Committee on 30 September 2021.

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

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

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 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

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

To consider the WARNs deferred at the meeting of the Committee on 30 September 2021.

Membership: Councillors R Bailey, C Bulman, B Evans, A Harewood, M Houston, D Marren (Vice-Chair), P Redstone, M Sewart and M Simon (Chair)

This page is intentionally left blank

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 30th September, 2021 in the Council Chamber, Municipal
Buildings, Earle Street, Crewe CW1 2BJ

PRESENT

Councillor M Simon (Chair)

Councillors R Bailey, C Bulman, B Evans, A Harewood, M Houston, D Marren,
P Redstone and M Sewart

External Auditor

Muhammad Uzair Khan, Mazars (via remote link)

OFFICERS IN ATTENDANCE

Jane Burns, Executive Director Corporate Services

David Brown, Director of Governance and Compliance (via remote link)

Alex Thompson, Director of Finance and Customer Services

Gareth Pawlett, Head of ICT Services and Chief Information Officer (via
remote link)

Josie Griffiths, Head of Audit and Risk

Helen Sweeny, Senior Compliance & Customer Relations Officer (via remote
link)

Alan Ward, Compliance and Customer Relations Officer (via remote link)

David Malcolm, Head of Planning (via remote link)

Paul Reeves, Flood Risk Manager (via remote link)

Rachel Graves, Democratic Services Officer

14 APOLOGIES FOR ABSENCE

There were no apologies for absence.

15 DECLARATIONS OF INTEREST

In the interests of openness, Councillor D Marren declared that he was the
Chair of Orbitas Bereavement Services Ltd, which was mentioned in the
reports for Items 7, 8 and 9 of the agenda.

16 PUBLIC SPEAKING TIME/OPEN SESSION

There were no public speakers.

17 MINUTES OF PREVIOUS MEETING

Consideration was given to the minutes of the previous meeting held on
27 May 2021.

Item 7 – Annual Report of Council’s Covid-19 Response and Recovery.

The Head of Audit and Risk provided a summary of the response received from Highways in relation to money for potholes. It was agreed that this would be forwarded to committee members and to the member who raised the question and clarification sought on whether there had been a separate additional £500k allocated to the Council for potholes.

Item 10 Committee Work Plan

An additional item had been requested to be added to the Committee’s Work Plan which had not been included in the minutes, which was a request that the Committee commence work on Highways finance item which had been on the work programme for a while and include in this the Pilot Town and Parish Council Top Up scheme. It was agreed that the minutes be amended to include this item.

RESOLVED:

That the minutes of the meeting held on 27 May 2021 be approved, subject to the above amendment.

18 APPOINTMENT OF VICE CHAIR

Following the registration of previous Vice Chair, the Committee was asked to approve the pro tempore appointment of Councillor David Marren as Vice Chair until the formal appointment was made by Council.

RESOLVED:

That Councillor David Marren be appointed pro tempore as Vice Chair of the Audit and Governance Committee.

19 EXTERNAL AUDIT UPDATE REPORT

Muhammad Uzair Khan of Mazars provided an update on the work being undertaken by the External Auditors in relation to the External Audit Plan.

He reported that they had received the draft financial statements and would be providing an update report on progress at the next meeting, and that the Value for Money conclusion would be reported at a later date but within three months of the date of the audit opinion.

RESOLVED:

That the update provided by the Council’s external auditors be noted.

20 COVID-19 UPDATE

The Committee considered the Covid Update Report, which had been considered at the meeting of Corporate Policy Committee on 7 September 2021.

In consider the report, the Committee asked about delays in access to the Registration Services to register births due to covid restrictions and was this a risk as this could lead to a delay in accessing child benefits and obtaining a passport and asked about the performance of the Service. In response it was stated that the Service had been under significant pressure due to changes with regulations on face-to-face meetings and particularly death registrations and it was agreed that the information would be shared with to the committee members.

It was asked if the Council has spent all the £3.4m received in July for grants and if the Council received all the money it had claimed from Government. In response it was confirmed that the Council had received the money and the intention was to spend all of the grant in accordance with the conditions imposed by Government and details would be included in the Mid-Year Review.

Reference was made to the difficulty of getting through to the Call Centre and it was asked how many calls were received, how many disconnected or failed to be answered and if this information could be shared with the Committee. In response it was reported that the numbers were recorded but the reasons for abandoned calls were not known and it was agreed that the figures would be provided to committee members.

Whilst it was going to be mandatory for care home staff to be vaccinated, it was asked if there any plans for future staff recruitment to include a requirement that they had to have had the covid vaccination. In response it was reported that there were no plans for this but staff would be encouraged to take up the vaccination.

In relation to the future Workplace Strategy, it was asked if there could be an update on this and a separate briefing for all councillors on this once agreed.

It was raised in relation to the changes to social distancing and removal of extra funding for home to school transport and along with the late allocation of post-16 bus passes, was seriously compromising families and it was suggested that work be undertaken by audit on this.

Reference was made issues with the collection of garden waste and food waste and that there was concern amongst some residents that the food waste was in the brown bin for longer than the decreed fortnight and suggested that this could be an item for the Work Plan.

RESOLVED: That

- 1 the report be noted; and
- 2 consideration be given by officers to the matters raised and suggested items for the Committee's Work Plan.

21 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2020/21

The Committee received a presentation on the Draft Pre-Audit Accounts for 2020/21.

The presentation set out the important dates for the approval process for the Statement of Accounts, and provided summarised details of income and expenditure, assets and liabilities, level of reserves and indebtedness, and the Balance Sheet.

The accounts would be available for public inspection for 30 working days between 1 October to 11 November 2021. The final audited Statement of Accounts would be presented to the Committee on 25 November in time for publication by the deadline of 30 November 2021.

The Committee sought assurance that the Council would be able to meet reporting timescales on the Statement of Accounts if the extension to the timetables were removed next year and asked if this considered for a future agenda item.

RESOLVED: That

- 1 the summarised position of the accounts for the year ended 31 March 2021, based on the presentation at the meeting, be noted; and
- 2 the dates in relation to the approval process for the Statement of Accounts be noted.

22 DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

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

The Annual Governance Statement covered 2019/20 and needed to be current at the time of publication and approval so matters relating to Covid-19 had been included, along with the Council's response, in the Statement and added as a new issue in section 8.

Section 7 of the draft Annual Governance Statement set out the progress against items previously recognised in the Annual Governance Statement and would be further updated before the issue of the final Statement.

During consideration of the item, the Committee asked if the number of Local Ombudsman Decision Notices should be included in the Statement and officers agreed to consider this suggestion.

Reference was made to the Brighter Futures Together Programme, in paragraph 5.34 of the Statement, and it was suggested that the wording should be made clearer on the roles of the committees in relation to this Programme.

It was asked if the Council was preparing for the creation of the Integrated Care System and were informed that report would be going to the November meeting of the Corporate Policy Committee and reference would be made in the final version of the Statement.

RESOLVED: That the Committee

- 1 notes the draft Annual Governance Statement 2019/20; and
- 2 notes that the final statement will be considered by the Committee by the end of November 2020, prior to its approval and publication on the Council's website.

23 ANNUAL INFORMATION GOVERNANCE UPDATE 2020/21

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

It was reported that based on the Gartner's Enterprise Information Management Maturity assessment tool, the Council had achieved a maturity rating of 'Somewhat Balanced'. The aim of the programme was to increase the maturity and move the overall assessment to a level of 'Highly Balanced' over the seven themes of vision, strategy, metrics, governance, organisation and roles, lifecycle, and infrastructure.

RESOLVED:

That the progress made on the Information Assurance Programme during 2020/2021, and future vision to support on-going compliance be noted.

24 ANNUAL INTERNAL AUDIT REPORT 2020/21

Consideration was given to the Internal Audit Annual Report for 2020/21 on the overall adequacy and effectiveness of the Council's control environment. The report supported the Annual Governance Statement.

The Internal Audit team opinion on the Council's framework of risk management, control, and governance for 2020/21 had been assessed as Adequate.

The Committee asked if Internal Audit carried out a check on the 'follow up' actions to ensure that they had been actioned. The Head of Audit and Risk responded that this happened informally but would discuss with the Audit Team to see if could be made more formal process.

It was asked if the purchases made by Purchase Cards were included in £500 report and also how many Cards were in use and if guidance on their use was provided. Officers undertook to look into these queries and provide a response.

Questions were asked about the rationale for the internal audit assurance opinions and the difference between 'satisfactory' and 'reasonable'. It was agreed that a copy of the opinions and ratings would be circulated to the committee members for information.

The report referred to internal audit work carried out for PATROL and it was asked if information could be provided on PATROL and the role of Cheshire East Council.

Internal Audit had provided advice and guidance in relation to the Covid-19 Winter Grant and it was asked how information on this grant and other grants were reported. In response it was stated that information was included in the Covid-19 Update Reports and to the relevant service committees. It was suggested that consideration could be given to providing the committee with information such as value, expected use and conditions on the different grants.

It was noted that staffing resources had been limited for Internal Audit in 2020/21 as a result of vacancies arising during the year due to retirements, maternity leave and staff leaving the services and it was suggested that matter be included on the Committee's work plan as could have an impact on the Council's work.

RESOLVED: That the Committee

- 1 notes the contents of the Internal Audit Annual Report 2020/21;
- 2 notes the Internal Audit opinion on the Council's framework of risk management, control, and governance for 2020/21 as 'Adequate'.

25 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - FEBRUARY - JULY 2021

The Committee consider a report on the Decision Notices issued by the Local Government Ombudsman between 1 February 2021 and 31 July 2021.

It was reported that six decision notices had been issued during this period, which concluded that there had been maladministration causing injustice – details of which were set out in Appendix to the report.

RESOLVED:

That the contents of the report be noted.

26 ANNUAL REPORT OF THE MONITORING OFFICER 2020/21

The Committee considered the Annual Report of the Monitoring Officer for 2021/21.

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.

The Committee noted that the number of complaints received in relation to Development Management and Enforcement had increased significantly and it was suggested that an audit of the service's performance be included in the work programme.

It was asked if the cost of investigation Code of Conduct complaints was collected and in response it was reported that it was not collated for the Monitoring Officer's Annual Report but could be for future reports.

It was suggested that the Monitoring Officer's Annual Report be sent to all councillors for information.

RESOLVED:

That the Committee notes the Annual Monitoring Officer's Report 2020/21.

27 ANNUAL RISK MANAGEMENT REPORT 2020/21

The Committee considered a report which provided an overview on the Council's risk management arrangements during 2020/21 and reported the outcomes of the review of the Strategic Risk Register at the end of Quarter 2 2020/21.

The Committee asked that Risk Management training be arranged and that it also be offered to all councillors to help them understand risk management.

The Committee suggested that Climate Change and flooding as an area for them to look at the risk in detail and for this to take place outside of the committee meeting cycle.

RESOLVED:

That the Annual Risk Management Report 2020/21 be received.

28 COUNCILLOR CODE OF CONDUCT

The Director of Governance and Compliance provided an update on the work of the Councillor Code of Conduct Working Group and the progress with consideration on whether to adopt the LGA model Code of Conduct.

A draft of the proposed Code of Conduct had been shared with Town and Parish Councils and Audit and Governance Committee members. It was expected that the revised Code of Conduct would be brought to the meeting of the Committee on 17 January 2022 for consideration and recommendation to Council.

RESOLVED:

That the verbal update be noted.

29 COMMITTEE WORK PLAN

The Committee considered the Work Plan for 2020/21.

Paragraph 5.5. of the report set out the changes to the Work Plan since it was last considered by the Committee and it was reported that following today's meeting agenda item in relation to the Code of Conduct would be allocated on the Work Plan to the January 2022 meeting and the Committee would also receive the revised Whistleblowing Policy at that meeting.

Additional items suggested for the Work Programme from the meeting included:

- bringing forward the work on Highways Allocation and Use of Funding
- Implementation of the Pilot Town and Parish Council Top Up Scheme with no policy decision
- review of Home to School Transport
- assurance that the Council would be able to meet the reporting timescales on the Statement of Accounts if the extension to the timetables were removed next year
- assurance on food waste collections
- vacancies within Internal Audit
- increase in complaints in Development Management and Enforcement

- training to be provided for Committee members on Risk Management, Annual Governance Statement and Statement of Accounts

Two further items were suggested:

- the Committee be provided with assurance on the implementation of the Ward Member Budgets for highways maintenance
- reassurance that the charges made to maintained schools were justified and value for money.

It was proposed and agreed that a scoping document be produced on the above matters to guide the work required.

RESOLVED: That

- 1 the Work Plan be note and a scoping report be prepared on the suggested additional items; and
- 2 the plan be brought back to the Committee throughout the year for further development and approval.

30 **WAIVERS AND NON-ADHERENCES**

The Committee considered a report on the number and reason for Waivers and Non-Adherences (WARNs), which had been approved between 1 April 2021 to 31 August 2021.

It was reported that the Finance Sub Committee was responsible for looking at the procurement pipeline, of which waivers was part of that process. The Finance Sub Committee would receive under Part 2 the same information as received by the Audit and Governance Committee. In order to avoid duplication of work, it was proposed that Audit and Governance Committee would continue to receive non-adherences and receive statistical information on the WARNs.

The Committee had concerns about the proposal as whilst the Finance Sub Committee had the oversight function and the Audit and Governance Committee the assurance function, it was the Committee's function to have the assurance on waivers and non-adherences and be able to identify any trends from seeing the details. It was proposed that consideration on the proposal be deferred until the next meeting.

RESOLVED:

That consideration of the report be deferred until the next meeting.

31 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 1000(A)(4) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1, 2 and 3 of Schedule 12A of the Local Government Act 1972 and the public would not be served in publishing the information.

32 WAIVERS AND NON-ADHERENCES

RESOLVED:

That consideration of the WARNs be deferred until the next meeting.

The meeting commenced at 2.00 pm and concluded at 5.50 pm

Councillor M Simon (Chair)



Working for a brighter future together

Audit and Governance Committee

Date of Meeting:	25 November 2021
Report Title:	Annual Report of the Audit and Governance Committee 2020/21
Report of:	Jane Burns, Executive Director Corporate Services
Report Reference No:	AG/3/21-22
Ward(s) Affected:	All

1. Executive Summary

- 1.1. The purpose of this report is for the Committee to consider the draft version of the Audit and Governance Committee's Annual Report 2020/21 and agree the final version of the report that will go to the next meeting of Council.
- 1.2. 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. Recommendations

- 2.1. That the Committee considers the draft report for 2020/21 at Appendix A and agrees the final version which will be presented to the next meeting of Council .

3. Reasons for Recommendations

- 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

1.1. 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.

5.1. The requirement to submit an annual report is recommended by the CIPFA guidance and included within Cheshire East Council's Constitution.

6. Implications

6.1. Legal

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

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

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

6.4.1. There are no direct implications for equality.

6.5. Human Resources

6.5.1. There are no direct implications for human resources.

6.6. Risk Management

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

6.7.1. There are no direct implications for rural communities.

6.8. Children and Young People/Cared for Children

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

6.9. Public Health

6.9.1. There are no direct implications for public health

6.10. Climate Change

6.10.1. There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit and Risk Management Email: Josie.griffiths@cheshireast.gov.uk Tel: (01270) 685860
Appendices:	Appendix A – Audit and Governance Committee Annual Report 2020/21
Background Papers:	N/A

This page is intentionally left blank

Annual Report of the Audit and Governance Committee 2020/21

DRAFT
(May 2020 - April 2021)

Working for a *brighter future*  together



OFFICIAL

Foreword by the Chair of the Audit and Governance Committee

As Chair of the Audit and Governance Committee for the year in review, I am pleased to present this detailed report on the work of the Committee over 2020/2021.

The report informs full Council of the broad range of work which has been considered over the year to support the Committee in fulfilling its Terms of Reference and provides 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 developed in accordance with the CIPFA guidance, and the detailed Committee Work Programme designed to ensure that they are fulfilled is subject to review at each meeting of the Committee.

I would like to thank all those who have contributed to 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'.

As everyone is aware, 2020/21 provided a unique challenge to everyone in responding to the Covid-19 pandemic and the associated lockdown restrictions. This included holding meetings remotely and I am pleased to report that the arrangements that were put in place to facilitate this, were successful and ensured that the Committee was able to continue to operate effectively and fulfil its terms of reference. I would like to thank officers for the support that they provided to both myself and the rest of the Committee during this difficult period.

My tenure as Chair of Audit and Governance Committee ended at the March 2021 meeting and I am certain that the current Chair, Councillor Margaret Simon, and the rest of the Committee, will continue to successfully provide independent assurance on the Council's control environment and the governance framework.



Councillor Rod Fletcher

Chair of the Audit and Governance Committee 2020-21

November 2021

OFFICIAL

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 decision making 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 during 2020/21:

- 28th May 2020
- 30th July 2020
- 24th September 2020
- 11th November 2020
- 28th January 2021
- 11th March 2021

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
30 July 2020	Internal Audit Annual Report 2019/20
24 September 2020	Internal Audit and Counter Fraud Plan 2020/21 – Progress Update
28 January 2021	Internal Audit Update – April 2020 to December 2020
11 March 2021	Internal Audit Plan 2021/22

External Audit

Meeting:	Reports received:
28 May 2020	External Audit Update Report
30 July 2020	External Audit Update Report
24 September 2020	External Audit Update Report
11 November 2020	External Audit Findings and Action Plan 2019/20
11 March 2021	External Audit Update and Annual Audit Letter 2019/20 Certification of Claims and Returns 2019/20

Risk Management

Meeting:	Reports received:
24 September 2020	Annual Risk Management Report 2019/20
11 November 2020	Strategic Risk Register 2020/21 Update (Q2)
11 March 2021	Strategic Risk Register 2020/21 Update (Q3)

Corporate Governance & Annual Governance Statement (AGS)

Meeting:	Reports received:
30 July 2020	Annual Monitoring Officer Report 2019/20
11 November 2020	Annual Governance Statement 2019/20
11 March 2021	Annual Governance Statement 2019/20 - Progress Update Member Code of Conduct: Standards Report

Accounts, Financial Statements & Treasury Management

Meeting:	Reports received:
28 May 2020	Treasury Management Update (implications of Covid-19 government funding)
30 July 2020	Draft Pre-Audit Statement of Accounts 2019/20
24 September 2020	Treasury Management Annual Report 2019/20
11 November 2020	Statement of Accounts 2019/20 Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2021/22

Information Governance

Meeting:	Reports received:
30 th July 2020	Annual Information Governance Update 2019/20

Significant assurances the Committee has received during the year include:

- **2019/20 Internal Audit opinion:**
This was presented to the 30 July 2020 meeting.
- **2019/20 Financial Statements Opinion (External Audit):**
This was presented to the 11 November 2020 meeting.
- **Audit Review of Procurement Controls**
This was presented to the 28 January 2021 meeting.

4. Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The 2020/21 self-assessment was carried out against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2018 via an online survey and through discussion with the Chair and Vice Chair.

The self-assessment results were reported to Committee in May 2020, along with a plan setting out development actions. A key action for the Committee during the year was to respond to the Corporate Peer Challenge recommendation regarding the size and membership of the committee.

“The Audit and Governance Committee of the Council has made improvements in recent years with much more effective challenge being provided through this committee.” There is currently one ‘independent person’ on the Committee who is not a member of the council and can therefore help to provide independent challenge. However, the size and membership of the committee may benefit from review to ensure the committee can operate effectively and provide sufficient challenge across all areas of responsibility, including on financial matters

The Committee agreed to establish a working group to consider its composition and structure at their meeting in November 2020, prior to the current co-opted independent member completing his term in March 2021 and prior to the move to the new Committee structure in May 2021.

Further reports were received in January and March 2021 which recommended the Committee should be reduced to 9 elected members and 2 co-opted independent members.

To minimise conflicts of interest arising as the Council moved to a committee system of decision making, it was also recommended that membership should not include the Leader and Deputy of the Council, Chairs or Vice Chairs of the

Services Committee and that the Chair and Vice Chair of the Audit and Governance Committee should not sit on a services Committee.

A draft Terms of Reference (ToR) was presented, and both the composition and ToR were approved by Committee in March 2021 and recommended to full Council.

The Committee has continued to provide challenge and feedback to the reports received.

5. Additional Assurance

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

Covid-19 Updates on Response, Recovery and Financial Impact

Updates on the financial impact of Covid-19 and the response and recovery effort were reported to Committee on a regular basis, highlighting the Council's ongoing actions to address the pandemic response and consideration of future developments.

The report to Committee in July 2020 set out the changes to the Council's normal financial arrangements and provided a summary of the methodology used to date on projecting the full year's implications of the Covid-19 response on the Council's finances. It also provided a summary of the main financial implications to date and the financial support received from government. Discussions highlighted that Corporate Overview and Scrutiny and Cabinet, at their September meetings, were scheduled to receive the latest information and data of the effects of Covid-19 on the Council's finances.

In addition, a report providing a summary of the volume and amount paid in support of businesses, lessons learned through the administration of the scheme and any issues identified through fraud during the period February 2020 to October 2020 was provided to Committee in January 2021. The report set out details of the grants issued for three schemes announced in February 2020 which provided support to small business and businesses within the retail, leisure and hospitality sectors.

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 and

Social Care Ombudsman. The detailed reports provided the Committee with information on those decision notices which concluded that there had been maladministration causing injustice.

It is noted that on 26th March 2020, the Ombudsman took the decision to suspend all casework activity that demands information from, or action by, any local authority. Councils were expected to respond appropriately to any complaints received during this time and to direct complaints to the Ombudsman service upon completion of the Council's complaints procedure. However, following a national consultation the Ombudsman decided to restart their casework from 21 May 2020, although limited only to the cases they were already considering prior to their shutdown.

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, 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.

Following the outbreak of COVID-19, the Cabinet Office issued a number of Procurement Policy Notes, setting out the following information and guidance:

- Procurement of goods, services and works with extreme urgency and permitted authorities to do so using regulation 32(2)(c) under the Public Contract Regulations 2015
- Payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak, stating that contracting authorities must act quickly to ensure suppliers at risk were able to resume normal contract delivery once the outbreak was over.
- Use of procurement cards, with the aim to accelerate payments to suppliers to support and improve cash flow.

The Committee noted that the number of waivers being reported had increased due to Covid-19.

Member's Code of Conduct

The Committee received an update report in March 2021 relating to the Member's Code of Conduct. The report 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.

Counter Fraud Update

Counter Fraud updates were included in the updates against the Internal Audit plan. In September 2020 a detailed report was provided highlighting that the Internal Audit resource has been diverted to support the wider organisation in responding to Covid-19 and to ensure that Internal Audit continues to provide value and support in the achievement of the Council's objectives.

A breakdown of the consultancy and non-assurance work provided identified that this included advice and guidance when implementing new processes to ensure that fraud risks were addressed and the undertaking of relevant pre-and/or post-payment checks on Covid-19 grants to ensure that the risk of fraudulent claims was minimised and to identify and reclaim monies paid outside of the eligibility criteria.

6. Members of the Committee

Members of the Committee during 2020/21 are set out in **Appendix 2**.

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 Executive Director Corporate Services, Director of Governance and Compliance, the Director of Financial and Customer Services and Head of Audit and Risk.

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.

Committee members were provided with a copy of the Committee's Terms of Reference in advance of the May 2020 meeting.

The Committee has received updates on changes to relevant legislation, particularly in relation to Covid-19.

8. Training and Development

The following training was carried out during the 2020/21 year:

- Annual Governance Statement & Role of the Audit Committee
- Approving the Financial Statements
- Treasury Management

The training has been recorded and made available to all Councillors to improve understanding of the role of this Committee.

Where needed, induction briefings for new and deputising Members of the Committee have been provided. 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.

9. Work programme for 2021/22

The Committee has an agreed work programme for 2021/22, 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 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 the CIPFA Audit Committees guidance;
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and continues to be 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 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;
- 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; and
- Continue to ensure that arrangements and ways of working introduced in light of the Covid-19 pandemic are subject to effective governance arrangements and robust systems of internal control.

How the Audit and Governance Committee's Terms of Reference were met during 2020/21:

Terms of Reference of Committee	Relevant activity in 2020/21
Governance, Risk and Control	
To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.	<p>The Committee approved the 2019/20 Annual Governance Statement in November 2020.</p> <p>The Committee received an Annual Governance Statement progress report in March 2021.</p> <p>The Annual Monitoring Officer's Report 2019/20 and the Annual Information Governance Update 2019/20 were received and approved in July 2020.</p>
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.	<p>The Committee received the final 219/20 Annual Governance Statement (AGS) in November 2020.</p> <p>In addition, an update report was received in March 2021.</p>
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.	<p>The Committee received regular reports on the quantity and reasons for Waivers and Non-Adherences approved since the last Committee.</p> <p>Committee received a report relating to the operational procurement and contract award arrangements in January 2021.</p>
To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	<p>The Committee received a variety of reports during the year addressing this aspect;</p> <ul style="list-style-type: none"> - Updates on Strategic Risks

Terms of Reference of Committee	Relevant activity in 2020/21
	<ul style="list-style-type: none"> - Internal Audit reports and plan updates - Annual Governance Statement; draft, final and progress updates - Information Assurance updates - LGO Complaints and lessons learned.
To monitor the effective development and operation of risk management in the council.	The Committee received update reports on Risk Management in September 2020 and March 2021.
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 consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.	Internal Audit progress reports were provided to Committee in September 2020 and January 2021.
To review the governance and assurance arrangements for significant partnerships or collaborations.	Governance and assurance arrangements are set out as part the Annual Governance Statement, however further, more focused reports to Committee could be provided.
To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.	<p>The Treasury Management 2019/20 Annual Report was received in September 2020.</p> <p>The 2020/21 Draft Treasury Management Strategy and Minimum Revenue Position (MRP) Statement was reviewed at the November 2020 meeting.</p> <p>A Treasury Management Update report was presented in May 2020 to update the Committee on the implications for the</p>

Terms of Reference of Committee	Relevant activity in 2020/21
	Council's Treasury Management Strategy in response to the receipt of government funding re Covid-19.
Internal Audit	
To approve the internal audit charter.	An updated Internal Audit Charter was approved at the March 2020 Committee meeting. This has been reviewed within 2020/21 with no further changes required.
To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations	This has not been relevant during 2020/21.
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. To approve significant interim changes to the risk-based internal audit plan and resource requirements	The Committee approved the 2020/21 Internal Audit Plan in March 2020. The Committee monitored progress against the plan in September 2020 and January 2021.
To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.	The Audit and Governance Committee regularly consider this as part of discussion on the internal audit plan and progress updates.
To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments	The Audit and Governance Committee is made aware of the other operational responsibilities of the Head of Audit and Risk through the Internal Audit Charter. During the course of 20/21, where Internal Audit team members have provided operational support in other parts of the business, the Committee received information about these roles, and how the impact on future audit work will be managed.
To consider reports from the head of internal audit on internal audit's performance during the year.	Internal Audit progress reports were provided to Committee in September 2020 and January 2021.

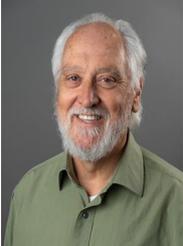
Terms of Reference of Committee	Relevant activity in 2020/21
To consider the Head of Internal Audit's annual report.	The 2019/20 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in July 2020.
To consider summaries of specific internal audit reports as requested	Committee received a report relating to the operational procurement and contract award arrangements in January 2021.
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.	Internal Audit interim reports against the 2019/20 plan were received in September 2020 and January 2021. Internal Audit interim reports include a summary of Internal Audit work completed and the significant issues arising from individual assignments.
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.	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.
To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.	The Head of Audit and Risk met on a regular basis with the Chair and Vice Chair of the Committee
External Audit	
To consider the external auditor's annual assessment of independence, annual letter, relevant reports, and the report to those charged with governance.	A summary of the External Audit findings from the 2019/20 audit were presented to Committee in March 2021 by the External Auditor. The 2019/20 Annual Audit Letter was reported to the March 2021 Committee meeting.

Terms of Reference of Committee	Relevant activity in 2020/21
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 Annual Statement of Accounts 2018/19 was presented to the Committee in July 2020.</p> <p>An update on the financial impact of Covid-19 was brought to Committee in July 2020.</p>
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	<p>A summary of the External Audit findings from the 2019/20 audit were presented to Committee in March 2021 by the External Auditor.</p> <p>The 2019/20 Annual Audit Letter was reported to the March 2021 Committee meeting.</p>
Accountability Arrangements	
To report to those charged with governance on the committee's findings conclusions and recommendations concerning the	The Committee received the Audit and Governance Committee Annual Report in July 2020 ahead of presentation to Council.

Terms of Reference of Committee	Relevant activity in 2020/21
adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.	The Audit and Governance Committee's Self-Assessment Action Plan was presented in May 2020.
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 Committee received the Audit and Governance Committee Annual Report in July 2020 ahead of presentation to Council.
To publish an annual report on the work of the committee.	The Committee received the Audit and Governance Committee Annual Report in July 2020 ahead of presentation to Council.
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 are reported via the Monitoring Officer report which was received by the Committee in July 2020.</p>
To seek assurance that customer complaint arrangements are robust	The Committee received regular update reports throughout 2020/21 on the number of decision notices received from the Local Government and Social Care Ombudsman.
Working Groups	
The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee.	<p>The Terms of Reference was updated to include this specific responsibility in November 2020.</p> <p>A working group was set up to consider the Audit and Governance Committee structure and composition in November</p>

Terms of Reference of Committee	Relevant activity in 2020/21
	2020 and reported to the Committee in January 2021 and March 2021.
Standards Arrangements	
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).	<p>A Members Code of Conduct Standards Report recording the number and outcome of decisions relating to complaints was submitted to the Committee in March 2021.</p> <p>The Committee meeting in July 2020 approved the following:</p> <ul style="list-style-type: none"> • Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2024); and • General dispensation allowing Members to take part in and vote on Community Governance Review matters in which they have disclosable pecuniary and prejudicial interests for a 4-year period (to 29 July 2024)
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	<p>Members of the Audit & Governance Committee have been advised on the Member Code of Conduct processes during the year.</p> <p>A review of the Member's Code of Conduct was scheduled pending the outcome of a model Code of Conduct and has begun during 2021/22.</p>
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 July 2020 approved the Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2024).

Membership of the Audit and Governance Committee during 2020/21:

Members of the Audit and Governance Committee during 2020/21	
	<p>Councillor Rod Fletcher (Chair) 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) 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 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 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 Councillor Edwardes became an elected member of Cheshire East Council in May 2019.</p>
	<p>Councillor Byron Evans Councillor Evans became an elected member of Cheshire East Council in May 2019.</p>

Members of the Audit and Governance Committee during 2020/21	
	<p>Councillor Sally Handley Councillor Handley became an elected member of Cheshire East Council in May 2019 and was a member of the Committee until July 2020.</p>
	<p>Councillor Steven Hogben Councillor Hogben has been an elected member of Cheshire East Council since June 2011. He re-joined the the Committee in May 2019 and was replaced in January 2021.</p>
	<p>Councillor Marilyn Houston Councillor Houston became an elected member of Cheshire East Council in May 2019.</p>
	<p>Councillor Margaret Simon Councillor Simon re-joined the Committee in March 2020 having previously served on the Committee from its first meeting in June 2010 until March 2017.</p>
	<p>Councillor A Harewood Councillor Harewood became an elected member in May 2011 and joined the Committee in January 2021.</p>
	<p>Councillor C Bulman Councillor Bulman became an elected member in May 2019 and joined the Committee in July 2021.</p>
No image available.	<p>Philip Gardener Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p>

It should be also noted that Councillor C Bulman deputised for a member of the Audit & Governance Committee in May 2020 having previously received the necessary induction training in October 2019.



Working for a brighter future together

Audit and Governance Committee

Date of Meeting:	25 th November 2021
Report Title:	Strategic Risk Update – Q1 & Q2 2021/22
Report of:	Jane Burns, Executive Director of Corporate Services
Report Reference No:	AG/5/2021-22
Ward(s) Affected:	All

1. Executive Summary

- 1.1. Effective risk management is central to good governance and supports the efficient delivery of the Council's objectives. The Audit and Governance Committee provides an independent assurance to the Council on the adequacy of the risk management framework.
- 1.2. This report provides the Audit and Governance Committee with an update on the Strategic Risk Register for the period Q1 to Q2 2021-22, as shown in Appendix A.

2. Recommendations

- 2.1. That the Strategic Risk Update for Quarters 1 and 2 2021/22 is considered and received.

3. Reasons for Recommendations

- 3.1. Risk management is central to facilitating good governance and the achievement of corporate objectives. As a publicly accountable body, the Council must demonstrate effective identification and management of the risks that threaten the achievement of its corporate objectives, the effectiveness of its operations, and reliable financial reporting.
- 3.2. The Audit and Governance Committee have responsibility for monitoring the effective development and operation of risk management across the Council.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1.** During Quarter 1, the Council's Corporate Leadership reviewed the existing Strategic Risk Register and identified a number of areas where risks on the register warranted refocusing and refreshing. These include:
- 5.1.1. Separation of "Increased Demand for People Services" into Adult's and Children's service specific risks; this aligns with the new organisational structure and allows for greater clarity in the articulation of the risk as it presents in each service, and the actions underway and planned for each.
 - 5.1.2. The focus of the "Decision Making Risk" has been reshaped into two separate risks: "Governance and Decision Making" and "Political Uncertainty". This recognises the risks associated with a broader failure of corporate governance within the Council's internal processes separately to the challenges of wider political uncertainty upon the delivery of the Council's Corporate Plan objectives.
 - 5.1.3. The description of the strategic risk on capacity and demand (Organisational Capacity and Demand) within the organisation has been updated to reflect the current challenges, including recognition of local and national factors impacting on demand for services and the Council's capacity for resourcing these. The gross score for this refocused risk has been updated to 16.
 - 5.1.4. "Fragility and Failure in the Social Care Market" is now focused on the specific challenges present in the Adult Social Care Market.
 - 5.1.5. Risks on Financial Resilience and Business Rates have been replaced with "Financial Management and Control", focused on the Council's internal management of its financial position, and "Council Funding" which recognises the challenges of the uncertainties and demands on funding available to the organisation. The previous risk on Business Rates now forms part of this risk, in the context of being one of the main sources of funding and income available to the Council. Challenges to the stability and growth of the Borough's economy are described in the "Economy" risk.
 - 5.1.6. The current risk on Climate Change is currently being reviewed to ensure that it best reflects the risks to achieving the Council's objectives in this area. Further changes will be provided to the Audit and Governance Committee as part of the "deep dive" briefing requested and included in the next update report.
- 5.2.** Table 1 sets out the current strategic risks following the changes proposed by the Corporate Leadership Team, with the net scores for each quarter.
- 5.3.** Appendix A provides further detail on each of the risks, including the current risk description, gross score, risk owner and a commentary for Q2 activity or change if relevant. As the Strategic Risk Register captures those risks which are of such significance as to cause failure of the objectives in the Council's

Corporate Plan if they are realised, the risk ownership of each is allocated to a member of the Corporate Leadership Team

5.4. Table 1: Strategic Risk Register (summary)

Ref	Risk	Q1 Net Score	Q2 Net Score
SR 1A	Increased Demand for Adult's Services	16	16
SR 1C	Increased Demand for Children's Services	16	16
SR 2	NHS Funding and Integrated Care System	16	16
SR 3	Financial Management and Control	9	9
SR 4	Information Security and Cyber Threat	12	12
SR 5	Business Continuity	9	9
SR 6	Organisational Capacity and Demand	12	12
SR 7	Council Funding	16	16
SR 8A	Decision Making	9	9
SR 8B	Political Uncertainty	8	8
SR 9	Capital Projects	12	12
SR 10 (O)	Infrastructure Investment	12	12
SR 11	Pandemic Virus	12	12
SR 12	Fragility and failure in the Social Care Market	16	16
SR 13	Reputation	9	9
SR 14	Climate Change	9	9
SR 15	Economy Risk	9	9

5.5. There are no changes in the net scores for the strategic risks between Q1 and Q2. The gross (unmanaged) score for Organisational Capacity and Demand increased to 16.

5.6. Additional interventions in the management of strategic risks may still result in static risk scores, as shown between Quarter 1 and Quarter 2 scores. By their complex nature, strategic risks will take time to respond to risk treatments and may require continual risk management activity to maintain the net score. The time it can take to mitigate a strategic risk to an acceptable level of net risk is likely to be considerable, particularly where the potential to manage the risk sits further outside the control of the Council.

5.7. Increases in inflationary pressures due to construction material costs and supply chain issues are noted in the commentary for capital projects, infrastructure investment and the economy. The impact these have upon individual projects will be managed through existing management and

governance mechanisms and reported to the relevant service committees through performance and finance updates.

Winter planning

- 5.8.** Winter pressures can exacerbate demand on Council services, and present further challenges to the risks already identified on the strategic risk register. Reports on the preparations and plans of the Council to manage and respond to these pressures in the area of Adults and Health have been provided to the Health and Wellbeing Board (7th September 2021) and more recently to the Adults and Health Committee (17th November 2021).
- 5.9.** Given the emerging social care market pressures, preparations were also made during Quarter 2 for a scenario testing exercise to be held, by the Adult Social Care teams with Cheshire East and Cheshire West and Chester Councils, to identify further contingency arrangements in the event of a major social care provider failure.
- 5.10.** This exercise was co-ordinated and undertaken in October by the shared Emergency Planning (Joint Cheshire Emergency Planning Team) and was supported with attendees from a range of partner agencies including the NHS and CCG to identify options for mutual aid, further understanding of implications of decisions on other agencies, and additional areas of development. A number of actions have been identified following the exercise, including establishing a joint working group which will oversee and co-ordinate a range of immediate-, medium- and long-term actions to focus on a whole system approach and solutions for domiciliary care and hospital discharge.

6. Implications

6.1. Legal

- 6.1.1.** There are no direct legal implications arising from the recommendations of this report. This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.

6.2. Finance

- 6.2.1.** There is no direct impact upon the MTFS from the recommendations of this update report. Costs relating to implementing risk treatment plans are included within service budgets. The need to provide financial security against the impact of risks is considered on a case by case basis and either included within specific budgets within the MTFS or considered under the overall assessment of the required level of General Reserves as part of the Reserves Strategy.

6.3. Policy

6.3.1. Cheshire East Council has adopted the Risk Management Framework approved by Cabinet in June 2020. Risk management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

6.4. Equality

6.4.1. There are no direct implications arising from the recommendations of this update report.

6.5. Human Resources

6.5.1. There are no direct implications arising from the recommendations of this update report.

6.6. Risk Management

6.6.1. This report relates to overall risk management; the Audit and Governance Committee should be made aware of the most significant risks facing the Council and be assured that the risk management framework is operating effectively by continually reviewing the risk profile, identifying where strategic risks are emerging and assuring the Committee on how these are being managed.

6.7. Rural Communities

6.7.1. There are no direct implications arising from the recommendations of this update report.

6.8. Children and Young People/Cared for Children

6.8.1. There are no direct implications arising from the recommendations of this update report.

6.9. Public Health

6.9.1. There are no direct implications arising from the recommendations of this update report. Public Health plays a key role in the management of the ongoing impact of Covid-19 and the pandemic virus risk included in the strategic risk register.

6.10. Climate Change

6.10.1. There are no direct implications arising from the recommendations of this update report. Risks to the Council's achievement of its climate change-based objectives are recognised in the strategic risk register.

Access to Information	
Contact Officer:	Josie Griffiths Head of Audit and Risk Management Email: Josie.Griffiths@cheshireeast.gov.uk
Appendices:	Strategic Risk Register (Appendix A)
Background Papers:	Risk Management Framework

Risk Ref	Risk Description	Risk owner (CLT member)	Gross (unmanaged) score			Existing risk mitigation activity	Net (current) scores Quarter 2 2021/22			Q2 Commentary	Further planned risk mitigation activity	Previous quarter net score Q1 21/22	Direction of travel (Q1 to Q2)
			Likelihood	Impact	Total (LxI)		Likelihood	Impact	Total (LxI)				
SR 1A	Increased demand for Adult Services That Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and increased demand for adult services, resulting in the capacity of the Council's systems relevant to these areas being unable to continue to respond/ absorb the pressures presented, resulting in a possible lack of continuity of social workers/ increased market failure pertaining to a range of service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's desired outcomes - that people live well and for longer	Executive Director - Adults, Health and Integration	4	4	16	<ul style="list-style-type: none"> ASC/Commissioning and Communities is engaged in the facilitation and forward planning of market engagement events, so to keep providers / people informed of preventative change as we progress with our People Live Well, for Longer Transformation Programme of Work. ASC/Commissioning have in place a robust Contracts and Quality Monitoring Policy Framework – that makes clear – how quality in monitor ed in a person-centred way with a vast range of partners, when to activate a suspension protocol working with care quality commission and when/ how we are decommissioning services – keeping people at the centre of decision making regarding any service disruption or period of market failure. ASC/Commissioning operate a monthly quality monitoring partnership forum that includes Police, Safeguarding, Care Quality Commission, ASC operations, Legal, CCC's and ASC lead commissioner – in the ongoing monitoring of quality and reporting and alerting of risk escalation that can be effectively managed – reports into relevant DMT's and Safeguarding Board. ASC/Commissioning hold a provider risk register whereby we monitor and review risk pertaining to specific providers as part of our role working with Care Quality Commissioning pertaining to Market oversight. ASC/Commissioning care sourcing/brokerage team support service and a local area co-ordination services- supporting vulnerable people to access wider community/ third sector services and wider more universal offers – diverting people away from care where appropriate. ASC/Commissioning finance and planning resource allocation system to promote and engage more people to take direct payments and will enable people to identify against changing needs – an indicative robust budget thus reducing people reliance on traditional models of care. ASC/Commissioning preventative policy framework that standardise of approach to prevention across adult social care front door – whereby people will be directed away from traditional services towards a more empowering community solution, those accessing services will be fully assured working with providers – what our clear aim, vision and intentions are over the next three years. ASC/Commissioning provider financial self-assessment accreditation tool – to assist with the monitoring and management of potential uplift and/or additional funding. This will ensure that funding is robustly based on clear evidence, against demand / trends in market development and impact on provider/ council and people accessing the service. ASC/Quarterly staff engagement groups are developed through leadership forums so to keep people informed and abreast of change as we progress to respond to demand and growth in the sector. Services operate regular staff conferences to address service specific developments and challenges. ASC/Commissioning are involved in the North West regional and local programme of work pertaining to health and care staff recruitment, retention, and selection – resulting in a robust career path being developed with key partners and in being clear pertaining to local strategy. ASC/Commissioning influencing and working with Cheshire CCG pertaining to development of ICS and ICP plans 	4	4	16	The impact of COVID-19 since March 2020 has been to increase demands upon Adults and Children's Social Care, together with our health partners.	<ul style="list-style-type: none"> ASC/ Commissioning and Communities, together with Public Health one Directorate continuing to work jointly to respond to challenges pertaining to prevention, health inequalities and our workforce. ASC/Commissioning and Communities developed a Standard Set of Fit for the Future Contracts – that set out specific measurable outcomes pertaining to each service area in driving prevention and key performance indicators that test the providers ability to retain a viable and sustainable business in responding to a population of changing need – higher levels of resident satisfaction and improved control. Continue to monitor and review preventative and support service activity. Continue to develop improved monitoring of peoples outcomes. Improved utilisation of public health JSNA and wider regional data sets informing future commissioning plans. Develop engagement with community groups and 3rd sector. strengthen liquid logic and contracc solutions to better map trend and demand. To monitor and review thresholds and gatekeeping processes. Review and strengthen partnership working with wider agencies. Restructured teams to ensure better integration with key partners. Better data intelligence to understand where and what kind of service demand needs are in order to commission appropriately and effectively. Continue to engage with leaders across teams – informing and influencing change. Continue with Connecting Leaders – through strong forward thinking visible leadership. Continued engagement with people who access services and the involvement of Healthwatch and in dependent advocacy. Proactive engagement with the new Integrated Care Partnership (includes health partners) Ongoing response measures to COVID 19 pandemic (see CR11) Maintaining Business Continuity across inhouse and external providers. 	16	↔
SR 1C	Increased demand for Children's Services Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and increased demand for children's social care services, resulting in the capacity of the Council's systems relevant to these areas being unable to continue to respond/ absorb the pressures presented, resulting in a possible lack of continuity of social workers/ increased market failure pertaining to a range of service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's desired outcomes - that children have the life skills and education they need to thrive.	Executive Director - Children's Services	4	4	16	<ul style="list-style-type: none"> in 2021/22, the Council committed to growth bids for Children's Social Care, and for increased capacity in the SEND service to meet the continuing demands of the service. We are closely monitoring the demand to services and the reasons that are driving demand so that we can be responsive and mitigate any risks to service delivery. Performance is monitored on a monthly basis by services. The Children and Families quarterly scorecard is reviewed at the Children and Families Committee and the Safeguarding Review meeting attended by the Chief Executive and Lead Member for Children and Families. The Safeguarding Review meeting includes discussion of workforce pressures and risks. The Early Help Brokerage Service was established in October 2015 to ensure demand for low level cases are appropriately allocated, reducing the demand on the Children's Social Care team in the front door. We have a range of support available to families through early help and prevention services, including Council, partner, voluntary, community, faith sector and commissioned services. These services support families and help prevent needs from escalating and requiring higher level intervention. We are continuing to develop our service offer through developing our partnership working and joint commissioning. The Cheshire East Safeguarding Children Partnership meets on a regular basis and is sighted on changes to demand for services so there can be a joint partnership approach to protecting children and young people. A strategy is in place to ensure only the right children come into care; this approach will reduce demand to Children's Social Care services. Our partnership Neglect Strategy was launched in July 2021 to ensure children at risk of neglect are identified early, which will reduce high er cost demand at a later stage. A strategy is in place to manage increasing demand and reinforce SEN Support in settings through our 'Access to SEND Services' Strategy. Robust governance structure established for SEND. A new SEND Strategy has been developed which will drive the continued improvement of support to children and young people with special educational needs and disabilities. We have supported children and young people who were most vulnerable through the pandemic through the Covid Grant Scheme and the Holiday Activity Fund. We are developing our in house placement options through our Bespoke Children's Homes and Mockingbird fostering model. We have escalated the need for Ofsted to register more placements in a letter to Ofsted. 	4	4	16	Demand to children's services is increasing. We are experiencing a high level of demand within SEND, and difficulties identifying appropriate homes for children and young people due to the increased pressure on placements for cared for children.	<ul style="list-style-type: none"> The Council is considering a further children's social care growth bid for 2022/23 The Council is considering a further growth bid for SEND and Educational Psychology for 2022/23 Continue to deliver our Sustainable Futures Strategy and improve the quality of social work practice. We are exploring further the 'Pause model' to take a more preventative approach to working with mothers who have experienced repeated care proceedings. Following a review of our integrated front door, some of the changes we are planning include further increasing the multi-agency focus. Continuing to support good quality early help and prevention services Continuing to support vulnerable children and young people through the Covid Support Grant. 	16	↔
SR 2	NHS Funding and Integrated Care System Risk that due to the increasing financial deficit in the NHS, the five-year plan to reshape the delivery of NHS services across the wider region, may cause a reduction in Cheshire East Council shared service delivery and NHS service delivery, shifting costs and demand which places additional strain on Council resources resulting in unmet need and potential difficulty in achieving the Council's outcomes that people live well and for longer and local communities being strong and supportive.	Executive Director - Adults, Health and Integration	4	4	16	<ul style="list-style-type: none"> A Health and Wellbeing Board is established with representation from Clinical Commissioning Groups and the Council, which provides a forum for these challenges to be addressed at a strategic level. In addition, a Cheshire East Partnership Board has been created where system leaders are looking at integration and how to make the system more financially sustainable to achieve better outcomes for the residents of the Borough. Contract clauses are in place to address cessation of service and performance management arrangements should any failing performance materialise. Partnership working is in place and commissioning is informed through the JSNA. The H&WB is working with Cheshire Fire and Rescue, NHS and other partners on various schemes of intervention and prevention which are intended to decrease demand. The Adults, Health and Community Directorate has introduced a new model for helping people to retain control and maintain their independence and reduce additional strain on services. The Cheshire East ICP is now has been in place since (October 2020) and is developing implementation plans across a number of work 	4	4	16		<ul style="list-style-type: none"> The Cheshire East Partnership has published a detailed implementation Plan (The Five-Year Plan and Technical Appendix, October 2019) with the intention of accelerating the work to introduce a new model of care and to establish an Integrated Care Partnership To continue to be a key player in the development of the integrated care system at a regional and local level Deliver the SEND Strategy and Access to SEND Services Strategy to ensure children and young people with SEND get the right support at the right time. Continue to develop Bespoke Children's Homes and Mockingbird fostering model 	16	↔
SR 3	Financial Management and Control Ineffective financial management controls and failure to effectively manage change, limits the Council's financial resilience and lead to the Council failing to deliver the MTFs, undermine the Council's reserves strategy and results in pressure on ability to deliver services to residents.	Executive Director - Corporate Services	4	4	16	<ul style="list-style-type: none"> Financial planning arrangements include preparation by the finance team of detailed financial forecasts, based on the best available information and including prudent assumptions based on professional judgement and external advice. Balanced budget to put into effect the council's service plans for the forthcoming year, matched by available funding and including a risk assessment of the adequacy of general reserves MTFS sets out how the Council will deliver the Council's corporate plan including identification of budget gaps Use of a report format and report clearance process which ensures provision of relevant information on financial impact and risk exposure to the decision makers. Clear and effective communication of changes or updates to Finance and Contract Procedure Rules Sources of specialist advice and guidance Budget monitoring, comparing actual performance against approved budget, is undertaken throughout the financial year and reported to service committees. Risk-based approach to the use of reserves, identifying appropriate reserve levels and ensuring that reserves are not depleted without first identifying a strategy to restore them to risk-assessed levels during the MTFs period. Where a residual deficit is forecast, a number of actions will be explored including:- use of any service or non-specific underspends to offset pressures elsewhere within the budget accessing external funding ensuring compliance with any funding conditions use of reserves use of general balances Treasury management strategy to manage the council's cash flows, including an investment strategy focused on the security of principal sums and a borrowing strategy to manage interest payable and other charges A capital strategy that prioritises capital investment programmes, identifies the financial impact of investment in schemes and limits the 	3	3	9	This risk has been introduced following discussion in the June strategic risk session with CLT and articulates the challenge to the financial resilience of the Council arising from ineffective financial management controls, and failing to effectively manage change.	<ul style="list-style-type: none"> Training and briefing to Councillors Education and training on Finance and Contract Procedure rules for Officers and Councillors 	9	↔
SR 4	Information Security and Cyber Threat: As the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility, and transaction requirements, it becomes increasingly vulnerable to a security breach, either maliciously or inadvertently from within the Council or from external attacks by cyber-criminals. This could result in many negative impacts, such as distress to individuals, legal, financial, and reputational damage to the Council, in addition to the possible penetration and crippling of the Council's IT systems preventing it from delivering its Corporate Outcomes.	Executive Director - Corporate Services	4	4	16	<ul style="list-style-type: none"> CIO is an advocate of and reports on Information Risk to the Board and Cabinet and makes the Annual Statement of Internal Control of Information Risk. Information and Data Security Policies Progress on Information Risk and Information Security is monitored through the Strategic Information Governance Group (SIGG), Operational Information Governance Group (IGG) and the Virtual IGG Task and Finish Group Incident reporting process communicated to all staff, incidents scored, assessed by IGG Compliance with PSN NHS Data Security and Protection Toolkit, DWP MoU and NHS Digital Controls, us of 3rd party IT hardware and software tests by accredited security vendors Published Information Asset Register Information Assurance Data Management programme of activity to increase awareness and maturity of information assurance and data maturity across the Council Data classification in use across the Council Security and compliance e-learning courses - data handling, security and information assurance; mandatory for all employees Control of access to data centre and network equipment Data Protection Officer lead role in GDPR compliance ICT Services adopted "Cloud First" principle Assessment via Council's insurance brokers to understand current and future risks, possibilities for risk treatment or being offset through 	4	3	12	<ul style="list-style-type: none"> New agile working conditions have increased vulnerabilities through increased reliance on remote technologies, the ability for Officers to move locations in the event of a localised outage will diminish as office accommodation is optimised. There is increased threat from malicious activity such as ransomware, these attacks are becoming more widespread and more sophisticated, and the skills and technologies to carry out these attacks are easily acquired by non-technical criminals. The ransomware threat has changed over time, it is no longer just a threat over denial of access of information but more of a threat of exposing information across the internet where it can never be recovered 	<ul style="list-style-type: none"> Review policies and guidance materials to strengthen advice to staff on how to manage various information types Continue with education and communication programme Update to CLT on cyber security and the recommendation of the insurance assessment Production of Business Case for Security and Compliance to enhance the security estate to meet new and emerging threats Production of Business Case for IADM, to increase the maturity of Information Assurance, and to increase the value of the corporate assets. Undertake regular compliance reviews. Simplify and consolidate the ICT infrastructure Reduction of the information storage, removal of duplicates information and validate that the asset register is being adhered to. Roll-out the revised/ updated e-learning Enhancement of the Data Classification and technical controls to further protect information. Enable Data Quality consistency across multiple service areas 	12	↔

Risk Ref	Risk Description	Risk owner (CLT member)	Gross (unmanaged) score			Existing risk mitigation activity	Net (current) scores Quarter 2 2021/22			Q2 Commentary	Further planned risk mitigation activity	Previous quarter net score Q1 21/22	Direction of travel (Q1 to Q2)
			Likelihood	Impact	Total (LxI)		Likelihood	Impact	Total (LxI)				
SR 5	Business Continuity Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure and resources (such as buildings, IT systems, and staff etc.) such that the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.	Executive Director - Corporate Services	3	4	12	<ul style="list-style-type: none"> Plans are being updated regularly, with a number having completed annual reviews. An exercise has been completed in relation to reservoir dam flooding. This has been followed up with a learning exercise with Emergency Planning. Updates have been applied to the Clearview system to improve functionality. The framework including strategy and policy have been completed and are nearing publication. 	3	3	9	Risk and Business Continuity Manager left the organisation in September 2021; interim resource being sought through Comensura, but progress on actions will be impacted until this resource is obtained.	Co-ordinate refresh of BC plans with specific focus on ICT systems Review and refresh of the Business Continuity Framework Development of training materials on Learning Lounge to support staff training and awareness Introduce moderation of BC plans across a working group for internal challenge and support Assessment of BC software with ongoing organisational needs Work with Emergency Planning to hold regular scenario testing	9	↔
SR 6	Organisational Capacity and Demand Local demographic and external factors (including COVID and EU Exit) lead to increasing and changing demands on services. This, combined with ongoing financial pressures, an ageing workforce, staff turnover and skills shortages in key areas of the workforce, result in insufficient capacity and an inability to retain or attract staff. This results in a detrimental impact upon physical, emotional and mental wellbeing of staff, and impact negatively on the Council's ability to deliver all of its intended objectives and outcomes.	Executive Director - Corporate Services	4	4	16	<p>Ongoing work to reduce work on reliance on agency staff, for a more stable permanent workforce base.</p> <p>In terms of the demand, work planning in advance has been improved. Significant increases in work pressures are being raised in advance, so that additional resource can be sourced for commissioned work. Improved HR data is being used to identify potential issues and service workforce plans developed to mitigate.</p> <p>The Head of HR considers that the measures reduce the likelihood but not the impact.</p> <p>Labour markets are still seeing significant movement due to the impacts of Covid19; with many staff leaving private practice, leaving more choice for the labour market, however this is also impeded geographically by large neighbouring local authorities able to offer competitive salaries.</p> <p>Additional work programmes are also in place for areas such as Care4CE and the care sector, which have been impacted more significantly by the COVID pandemic.</p>	3	4	12	Risk description updated to reflect local and national factors which are impacting on demand for services and the Council's capacity from a staff resource perspective to respond to these. Gross risk score revised – 4(L) and 4(I), previously 3(L), 4(I).	Planned work with Care4CE will continue alongside the delivery of service specific workforce plans Refresh of the Corporate Workforce Strategy	12	↔
SR 7	Council Funding Significant detriment to the Council's funding streams as a result of changes to grant funding, reductions in the collection of council tax, business rates or fees and charges and changes in the local economic circumstances increase pressure on the Council's financial position and ability to deliver corporate priorities within the planned medium term financial strategy.	Executive Director - Corporate Services	4	4	16	<p>Financial planning arrangements include preparation by the finance team of detailed financial forecasts, based on the best available information and including prudent assumptions based on professional judgement and external advice.</p> <p>Balanced budget to put into effect the council's service plans for the forthcoming year, matched by available funding and including a risk assessment of the adequacy of general reserves.</p> <p>Brighter Futures Commercial workstream addressing opportunities to increase income for the Council.</p> <p>Monitoring of grant funding formula.</p>	4	4	16	This risk has been introduced following discussion in the June strategic risk session with CLT and articulates the challenge to the financial resilience of the Council from changes in the funding arrangements for local authorities, much of which sits outside of the Council's direct control.	No further planned mitigation activity at this stage. Risk will be further reviewed during Q3.	12	↔
SR 8a	Governance and Decision Making Failure to maintain effective corporate governance could result in poor decision-making, non-compliance and breach of legislation, leading to regulatory intervention and significant cost in financial terms and to the reputation of the Council, and failure to take decisions which deliver the objectives of the Corporate Plan.	Executive Director - Corporate Services	4	4	16	<p>Council's Constitution covers decision making processes, including finance and contract procedure rules. Following the change to Committee system, mechanisms are in place to capture learning from the use of the committee system from Members (Constitution Working Group) and Officers (Brighter Futures Transformation Governance Workstream).</p> <p>Constitution is a publicly available document; guidance on the use of the decision-making processes is provided by enabling services including Legal, Finance, Democratic Services, and Audit and Risk.</p> <p>Reports to Committees are developed and reviewed by senior officers and enabler sign off, briefings are arranged with Committee Members to address any further knowledge requirements ahead of the relevant meeting.</p> <p>Schemes of delegation; local and financial are in place to provide clarity on responsibilities ensure separation of duties is in place where required, and minimise the risk of management override.</p> <p>Assurance mechanisms on the organisations' compliance with its decision-making processes are provided through the external audit (Statement of Accounts) and the work of the internal audit team. There are other external inspections, such as Ofsted, which may examine elements of our decision-making processes through their work, although this is not usually the primary focus.</p> <p>The organisation publishes an Annual Governance Statement identifying significant governance issues which have occurred, any known areas</p>	3	3	9	This risk has been introduced following discussion in the June strategic risk session with CLT. This articulates the challenges presented around ineffective corporate governance within the Council and the impacts that has upon the quality and efficiency of our decision making processes, and the wider reputation of the Council.	Further work of the BFT Governance Workstream projects – Decision Making, Governance and Financial Codes and Policy and Performance	9	↔
SR 8b	Political Uncertainty Uncertainty around future local and national political policy and administration could result in challenges to, or failure to take the decisions required to facilitate delivery of the Council's Corporate Plan, leading to unnecessary increases in resources used in the decision-making process and dissatisfaction from residents.	CLT wide	3	4	12	<p>Engagement with political administration of CEBC</p> <p>Engagement with group leaders of CEBC parties</p> <p>Training and briefing to CEBC members</p>	2	4	8	<p>This risk recognises the threat to clarity and efficiency in the delivery of the Council's Corporate Plan caused by political uncertainty, whether that be within the immediate local political arena, or the national level.</p> <p>The organisation's ability to manage causation of this risk is relatively limited; engagement with the political administration and political groups as part of the support to decision making, supporting effective governance, provision of briefing and training.</p> <p>Responding to and managing the implications of this risk includes elements of proactive and reactive activity, drawing</p>	No further planned mitigation activity at this stage. Risk will be further reviewed during Q3.	8	↔
SR 9	Capital projects Risk that the Council's major capital projects are insufficiently managed to ensure that they are delivered on time, on budget and at the required quality level.	Executive Director - Place	4	4	16	<ul style="list-style-type: none"> Robust management of projects Financial controls in place Governance mechanisms include Corporate Board overseeing all capital schemes (Assets Board). Assurance tests to be repeated again to ensure arrangements are robust and apply any lessons learnt Individual schemes have appropriate governance. Regular capital programme reports to be reported to CLT Regular 1-1s between Executive Director and Directors which include updates on all major projects 	3	4	12	The existing management and governance controls of the Council's major capital projects remain in place. Many projects are experiencing higher than expected inflationary pressures on construction materials linked to national and international supply chain issues.	No further planned mitigation activity at this stage. Risk will be further reviewed during Q3.	12	↔
SR 10 (o)	Infrastructure Investment (opportunity) Securing the required investment to support our major infrastructure and development priorities in Place, particularly in relation to HS2 and delivery of the Crewe Hub, and noting the inflationary pressures across all aspects of project delivery.	Executive Director - Place	4	4	16	<ul style="list-style-type: none"> This risk will be reviewed by the HS2 Programme Board on a monthly basis and the chair informs CLT accordingly. Day to day management of the actions in place to reduce the risk is a combination of the BCI: Business Case and Investment Integration, the Programme Director and the Programme Manager. The controls above will be used to monitor the risk. There have been no control failures to date. In fact, the controls in place today are probably stronger than at any point in achieving the objective. This is commensurate to the closing window of opportunity and the increase in work required by the Council to turn the outputs of the consultants Business Case work. Future issues may arise if the dedicated resource currently requested is not quickly put in place to release the efficiencies of working a close dedicated team brings. Ultimately, while the Council can control the technical evidence, business case formation and the technical level negotiation with Government Departments, the risk is being impacted on by recent Government administration changes and the resultant changes in Government policy. Value engineering of design and development of projects. Liaison with the contracting industry to identify the most efficient design solutions. 	3	4	12	Risk description expanded to cover Place major capital projects as a whole.	No further planned mitigation activity at this stage. Risk will be further reviewed during Q3.	12	↔
SR 11	Pandemic Virus Ongoing risk of genetic shift resulting in rapidly spreading strain of influenza and other diseases previously unseen in humans for which no preventative treatment is available. In addition to the human health risks pandemic flu poses a risk to healthcare capacity and CEC business continuity.	Executive Director - Adults, Health and Integration	4	4	16	<p>National Government mandatory and advisory measures.</p> <p>National Vaccine roll out</p> <p>Sub-regional collaboration co-ordinated by the CHAMPS Public Health Collaborative</p> <p>Cheshire and Warrington Local Resilience Forum managed partnership working.</p> <p>Cheshire East Emergency Planning activity</p> <p>Advice and guidance to schools, businesses and residents</p> <p>Track and Trace Team activity / Swab Squad</p> <p>Cheshire East organisational activity</p>	4	3	12	<p>There is at present no means of removing the COVID-19 virus from the population or its associated risks and changes in national policy have reduced the control measures that had previously been in place.</p> <p>Managing the spread and mitigating against the impact is what we have to continue to work on in partnership with all those living and working in Cheshire East (in collaboration with partners across the sub-region and Cheshire and Merseyside).</p> <p>In order to achieve this we maintain a council Test and Trace programme and support partners across the health economy to deliver both the current vaccination programme and the booster programme including supporting the rollout of the new 12-15 vaccination programme.</p> <p>Rates of Covid-19 are increasing particularly in the school aged population, this is coinciding with the start of the flu season, increasing risks to individuals and placing additional pressures on health and social care providers.</p> <p>Additionally other winter illness such as RSV have been seen to be rising rapidly nationally, these rises are due to increased population susceptibility and are likely to put further pressure on primary and secondary care. The control measures for all respiratory and gastrointestinal infections that are more common during the winter remain the same as those for Covid-19. Local Authorities are being requested to take on more responsibilities in relation to local contact tracing. There will be additional financial pressures and workload pressures on organisations and staff across health and social care as a result.</p> <p>The mandatory vaccination programme for care homes presents a significant potential risk to continuity of service provision where staff who have not received both vaccinations will not be allowed onto care home sites. This includes individuals not employed by the care homes attending the sites for any reason. The council has provided support and guidance to our care homes to increase the vaccination rate and minimise the number of individuals who are not fully vaccinated by the cut off date.</p> <p>The implications for recovery include a significant impact on mental health for a range of reasons with concurrent needs for increased access to services (including substance misuse services). This will put pressure on teams that were in high demand pre-pandemic. This goes alongside a likely fall in physical health and wellbeing amongst particularly our most deprived populations arising from falls in physical activity and other changes to lifestyles</p>	Ongoing working from home Local Track and Trace Hub established Delivery of government mandated actions and activity (self isolation payments, support for care providers etc) Shielding Plan in place in case of requirement to support shielding individuals Supporting NHS roll out of Covid 19 vaccination programme Initiating flu vaccination programme for all staff and communications supporting public vaccinations	12	↔

Risk Ref	Risk Description	Risk owner (CLT member)	Gross (unmanaged) score			Existing risk mitigation activity	Net (current) scores Quarter 2 2021/22			Q2 Commentary	Further planned risk mitigation activity	Previous quarter net score Q1 21/22	Direction of travel (Q1 to Q2)
			Likelihood	Impact	Total (LxI)		Likelihood	Impact	Total (LxI)				
			SR 12	Fragility and failure in the social care market Increased pressure within the Social care market, rising costs, increasing complex needs and funding pressures, which have been exacerbated by Covid 19 increases the likelihood of multiple provider failure and market collapse.	Executive Director - Adults, Health and Integration		4	4	16				
SR 13	Reputation That consideration is not given, and management action is not taken, to effectively manage the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to meet the corporate priorities.	Chief Executive	4	4	16	3	3	9		Explore development of communication strategies to influence public awareness of and informedness about key universal services, inc: planning, highways, waste and recycling Further development of the communications approach to supporting decision making under the ctte system Align developing communications strategy to customer experience, digital and consultation and engagement strategies Include customer enquiries, MES and MP correspondence in reputation monitoring	9	↔	

This page is intentionally left blank



Working for a brighter future together

Audit and Governance Committee

Date of Meeting:	25 th November 2021
Report Title:	Internal Audit Update Report Q1/Q2 2021/22
Report of:	Jane Burns, Executive Director of Corporate Services
Report Reference No:	AG/6/21-22
Ward(s) Affected:	All

1. Executive Summary

- 1.1. The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April and September 2021 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2021/22.

2. Recommendations

- 2.1. That the Committee notes and considers the contents of the Internal Audit Update Report.

3. Reasons for Recommendations

- 3.1. The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk) to regularly report on emerging issues in respect of the whole range of areas to be covered in the annual report.
- 3.2. In order to meet this requirement, the Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1.** The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, “in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a ‘no surprises’ approach, as well as assist management in drafting the Annual Governance Statement”.
- 5.2.** The interim report contains the following:
- a summary of the audit work carried out in Q1 and Q2 2021/22
 - comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets
 - a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year
- 5.3.** The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council’s objectives.
- 5.4.** It should be noted that Internal Audit’s risk based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 5.5.** A report summarising the work undertaken, the issues identified and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant Executive Director. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Corporate Leadership Team and the Committee.

6. Implications

6.1. Legal

- 6.1.1.** All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk

management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 6.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

6.2. Finance

- 6.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 6.2.2. The Internal Audit Plan 2021/22 was prepared, based on known resources, to cover the core areas of work required to deliver an annual audit opinion. Resource availability is subject to regular review as part of monitoring progress against the plan.
- 6.2.3. If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

6.3. Policy

- 6.3.1. There are no direct policy implications arising from the recommendations of this update report.

6.4. Equality

- 6.4.1. There are no direct implications arising from the recommendations of this update report.

6.5. Human Resources

- 6.5.1. There are no direct implications arising from the recommendations of this update report.

6.6. Risk Management

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

6.7. Rural Communities

- 6.7.1. There are no direct implications arising from the recommendations of this update report.

6.8. Children and Young People/Cared for Children

6.8.1. There are no direct implications arising from the recommendations of this update report.

6.9. Public Health

6.9.1. There are no direct implications arising from the recommendations of this update report.

6.10. Climate Change

6.10.1. There are no direct implications arising from the recommendations of this update report.

Access to Information	
Contact Officer:	Josie Griffiths Head of Audit and Risk Management Email: Josie.Griffiths@cheshireeast.gov.uk
Appendices:	Internal Audit Update Report Q1/Q2 2021/22
Background Papers:	N/A

Internal Audit Update Report April – September 2021

(2021/2022 Internal Audit Plan)

1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April - September 2021 contains “emerging issues in respect of the whole range of areas to be covered in the annual report.”
- 1.2. Internal Audit is required to form an annual opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues, and control failures which have been identified.

2. Summary of Audit Work to Date

- 2.1. During this period, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised a mix of risk based auditing, regularity, investigations and the provision of advice to officers. Annex 1 explains the variety of audit work undertaken to support the annual audit opinion.

Assurance Work

- 2.2. A summary of the final reports issued to the end of September 2021, by the audit assurance opinion given is included in **Table 1**. Reports issued to this point are similar to this point in the previous year; it is usual for the majority of the audit plan reports to be issued in the last half of the year.
- 2.3. Details of work in progress, covering draft reports issued for agreement with managers, fieldwork in progress and terms of reference stages, is covered in Table 6. It is anticipated that sufficient work in terms of quantity and coverage will be undertaken to deliver the annual opinion for 2021/22, with the number of final reports issued expected to be approaching the total number issued in 2019/20.
- 2.4. Figures relating to 2019/20 have been included in the table below to assist with comparison; no assurance work had been completed in the first half of 2020/21 as a result of the Covid-19 response.

Table 1: Reports to date by assurance level

Assurance Level	2021/22 (to 30/09/2021)	2020/21 (to 30/09/2020)	2020/21 Full Year	2019/20 (to 30/09/2019)	2019/20 Full Year
Good	0	0	6	0	6
Satisfactory	2	0	4	2	4
Limited	2	0	3	3	11
No Assurance	0	0	0	0	2
Total	4	0	13	5	23

- 2.5. A summary comparison of coverage of the 2021/22 Audit Plan with actuals for the year to 30 September 2021 is shown in Table 2, with comments on variances.

Table 1: Summary Comparison of Audit Plan 2021/22 and Actuals

Area of Plan		Original Plan		Actuals (to 30/09/2021)		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1357		399		Lower than planned due to retirement and delays in appointing temporary staff
Less: Corporate Work		164		48		
Available Audit Days:		1193	100%	351	100	
Corporate Governance and Risk		119	10%	29	8%	
Anti-Fraud and Corruption	Proactive Work	48	4%	11	3%	
	Reactive Investigations	48	4%	10	3%	
Corporate Services		477	40%	129	37%	
People		179	15%	58	16%	
Place		95	8%	32	9%	
Providing Assurance to External Organisations		24	2%	15	4%	Work weighted towards Q1/Q2
Advice & Guidance		84	7%	30	9%	
Other Chargeable Work		119	10%	37	11%	
Total Audit Days		1193	100%	351	100%	

- 2.6. Details of the reports produced to the end of September 2021 are included in Table 3, which includes details of the audit assurance opinion given in each report. Where the opinion given was Limited or No Assurance, a summary of key findings and actions has been provided.

Table 3: Summary of Final Assurance Reports 2021/22 to 30 September 2021

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Deprivation of Liberty Safeguards	Identified via Audit Plan	Satisfactory	All actions agreed	
B4B Go Live 2 Sign Off (joint work with CWAC and issued using their assurance levels)	Identified via Audit Plan	Reasonable* (CWaC IA opinion)	The audit report provided assurance to Programme Board in relation to the Go Live decision	
B4B Go Live 2 Sign Off – Cutover decision	Identified via Audit Plan	No formal assurance provided	Issues raised in the audit report were included within caveats to be attached to the decision to enter cutover prior to the formal Go Live decision	Progress against the issues raised in this report were monitored and reported upon in the Go Live report detailed above.
Schools Consolidated Report 2020/21	Identified via Audit Plan	Limited	All actions agreed	<p>The report summarises common issues arising from our school audit programme. Areas which require improvement included:</p> <ul style="list-style-type: none"> • Contract management arrangements including Governing Body review of options when contracts end. • Review of procurement thresholds to ensure that they are appropriate to the size of the school. • Review and approval of purchase card transactions.

- 2.7. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 2.8. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal Audit continues to obtain assurance that actions have been implemented, especially those deemed high priority.
- 2.9. It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 2.10. Where a final report is issued with a "Limited" or "No Assurance" opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 2.11. All actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and Final reports are shared with the relevant Executive Director.
- 2.12. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 2.13. The Audit Plan is subject to regular review to reflect the current resources available to the team. During the period, a temporary Principal Auditor post was advertised and filled. A temporary Auditor has also recently started with the team. With recruitment to these vacancies, and the return from maternity leave of another member of the team, it is anticipated that the team will complete sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2021/22.

Schools

- 2.14. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
 - the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
 - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.

- 2.15. The School's Audit Programme for 2021/22 has been agreed by both the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education & 14-19 Skills.
- 2.16. In recent years, thematic reviews have been undertaken at schools targeting specific areas of the SFVS. For the current year, it has been agreed that Internal Audit will undertake a review of the completed SFVS returns at a sample of schools, supported by testing to provide assurance as to the accuracy and validity of the school's self-assessment.
- 2.17. The work is planned to be completed during quarter 4 of the current year and into quarter 1 of 2022/23 to enable the review to consider the latest SFVS returns. This will also provide assurance to the Section 151 Officer and facilitate the signing of the Annual Assurance Statement in May 2022.
- 2.18. Individual reports are produced and issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment. School reports include an assurance opinion on the arrangements, in line with other audit reports.
- 2.19. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.20. Findings from all areas inform a consolidated schools report which provides assurance to the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education & 14-19 Skills.

Supporting Corporate Governance

- 2.21. In accordance with Regulation 6 of the Accounts and Audit Regulations 2015 the Council is required, each financial year, to conduct a review of the effectiveness of the system of internal control and publish an Annual Governance Statement (AGS).
- 2.22. During the first half of this financial year, and as previously reported in the 2020/21 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council's AGS for 2020/21.
- 2.23. Audit and Governance Committee approved the Draft AGS 2020/21 at their September meeting, in line with statutory deadlines. The Final AGS 2020/21 will be presented to the November 2021 meeting of Audit and Governance Committee.
- 2.24. A progress update on issues recognised in the AGS 2020/21 is scheduled for the Committee's January meeting. This paper will outline the proposed production process for the 2021/22 AGS.

Counter Fraud and Investigations

- 2.25. Internal Audit has continued to keep abreast of the latest fraud threats particularly in relation Covid-19 related scams, and where appropriate coordinated awareness raising via the Council's social media streams.
- 2.26. Over recent months there has been an increase across the country in attempted mandate fraud and executive impersonation fraud.
- 2.27. Mandate fraud occurs when fraudsters submit bogus requests to change the bank details of suppliers so that genuine payments intended for suppliers are instead paid to the fraudsters account. Executive impersonation fraud occurs when employees, usually in finance or payments teams, receive email communication purporting to be from very senior officers such as the Chief Executive or Finance Director of the organisation. These emails usually request that an urgent payment is made and that the usual checks and controls can be applied retrospectively. They rely on the employee feeling pressured to follow the instructions of a senior manager and are a form of social engineering.
- 2.28. In response to these threats, work has been undertaken in conjunction with the Transactional Service Centre to ensure that appropriate controls are in place to identify and prevent these attempts. This was particularly important given the move to remote working and whilst it is pleasing to note that appropriate controls were in place, awareness raising has taken place to ensure that officers are alert to these potential scams.
- 2.29. Internal Audit has continued to coordinate the investigation of matches identified as part of the 2020/21 National Fraud Initiative (NFI) exercise and ensure that services update the NFI website with the results. Work continues to review the outstanding matches and to date no matters of concern have been identified.
- 2.30. As previously reported, options for the development of a dedicated Counter Fraud resource as part of a wider review of the structure of internal audit had been paused to prioritise other work during the Covid-19 response. It is planned to revisit this during the second half of 2021/22 and further updates will be provided to the Audit and Governance Committee in due course.
- 2.31. In November 2021, the Crown Prosecution Service took the decision to take no further action with regard to investigations into historical land transactions in Middlewich and Crewe. This concludes all police investigations into the matters referred by the Council, following Internal Audit work.

Consultancy and Advice

- 2.32. During the year, Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving

governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.

- 2.33. In the year so far, advice and guidance has been provided on:
- Suspected scams and attempted frauds.
 - Design and application of controls in new/proposed systems.
 - Interpretation of Finance and Contract Procedure Rules.
- 2.34. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

Grant certifications

- 2.35. Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 2.36. In 2021/22 to date, this has included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 2: Grants Certified during 2021/22 as at 30 September 2021

Grant Certified	Funding Body	Amount
Family Focus (year to date)	MHCLG	£213,600
CWLEP Growth Hub Grant	BEIS	£287,000
CWLEP EU Transition Grant	BEIS	£136,050
CWLEP Supplementary Grant	BEIS	£175,000
CWLEP Peer Network Grant	BEIS	£165,000
Bus Service Operators Grant	DfT	£347,865
Local Transport Capital Block Funding	DfT	£12,147,000
Transport Infrastructure Investment Fund	DfT	£6,855,000
Compliance and Enforcement (Covid)	MHCLG	£158,572
Restart Grant (Covid)	BEIS	£21,294,675
Elena EIB Energy Programme	EIB	EU1,471,321 (£1,261,145)
Total		£43,040,907

- 2.37. It should be noted that the level of work required to complete the sign off of grants is not always proportionate to the value of the grant; grant funding conditions are set by the funding body, and it is this which determines the amount of testing and validation required to inform the sign off.
- 2.38. In addition to the grants detailed above, work has also been undertaken in relation to other Covid-19 related grants. This includes those received during the year and also in relation to the reporting requirements of those received during 2020/21.
- 2.39. Internal Audit has coordinated a grant register that details the nature of each grant and any reporting and sign off details. Lead officers have been identified for each of the grants and work undertaken to ensure that all returns have been completed within deadlines. Work is continuing in this area to ensure that the Council is aware of all requirements and deadlines associated with the many grants that it receives and administers.

Work for Other Bodies

- 2.40. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.
- 2.41. This service was provided remotely during 2020/21. The outcome of the internal audit work is reported to the PATROL Committees directly and does not inform the annual internal audit opinion for Cheshire East Council.
- 2.42. The work was completed, and a report issued during June 2021.

Implementation of Audit Recommendations

- 2.43. Internal Audit continually carries out a range of follow up exercises to ensure recommendations are implemented. This work is done in a number of different ways:
- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee.
 - Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management.
 - Formal assurance audits; recommendations are monitored in line with our follow up process.
- 2.44. Audits with 'limited' or 'no' assurance are subject to more detailed review. In addition, key systems (e.g. Payroll, Accounts Payable) are audited on a regular, cyclical basis with recommendations followed up as part of the work.

- 2.45. The Committee have previously been advised of the work undertaken by Internal Audit, supported by senior management to raise the profile of audit recommendations. This has included the agreement of “SMART” recommendations and the inclusion of performance measures in the Corporate Scorecard. There has been a “pause” in the follow up of actions, created by the move away from traditional internal audit work to support the organisation’s response to Covid, but as our assurance work builds back up, we will ensure that managers and the Corporate Leadership Team have regular updates on the position of recommended actions.
- 2.46. The implementation of agreed recommendations for reports issued in 2019/20, 2020/21 and the current year to date is detailed in the table below.

Table 5: Implementation of agreed recommendations as at 30 September 2021

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2019/20				
75%	25%	100%	0%	0%
2020/21				
100%	0%	100%	0%	0%
2021/22				
100%	0%	100%	0%	0%

- 2.47. The figures for 2018/19 and 2019/20 have been updated to take into account actions implemented in subsequent years and may therefore be different to the figures previously reported to the Committee.
- 2.48. These high implementation figures over several years have been achieved as a result of significant effort by the Internal Audit team in carrying out follow ups with managers along with support from senior managers in raising the profile of audit actions.
- 2.49. In agreeing implementation dates, managers are encouraged to be realistic with regards to when actions can be completed whilst ensuring that issues are addressed in a timely manner. It is pleasing to report that senior management have continued to support Internal Audit by challenging their service managers around implementation of actions.
- 2.50. The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council’s commitment and capacity to improve.

Ongoing Work

- 2.51. The following audits commenced during the period, with work ongoing at the time of reporting:

Table 6: Ongoing Internal Audit Assignments as at 30 September 2021

Audit	Scope of Review	Status
Occupational Therapy	To review the processes and controls in place to ensure that the Occupational Therapy service meets legislative requirements and the standards set by the Royal College of Occupational Therapists	Draft Report
People Helping People	To review the governance structure in place to manage the People Helping People scheme introduced in response to the covid-19 pandemic.	Fieldwork underway
Section 106/CIL	To review the processes and controls around the requests, collection, management, implementation and expenditure of S106 and CIL schemes. It is likely that separate reports will be issued.	Fieldwork underway
Journey First	To review the systems, processes and controls in place to ensure that the funding received has been utilised and delivered in line with the original grant application and conditions of award.	Fieldwork underway
Contract Awards	To review the impact of the response to the covid-19 pandemic on the controls in place to manage the award of contracts.	Agreeing Terms of Reference
Purchase Cards	To review the impact of remote working and the response to the covid-19 pandemic on controls in place around the use of purchase cards.	Agreeing Terms of Reference
ICT Assurance Mapping	To document the various controls and testing undertaken to ensure the security of the ICT systems. Whilst not producing an assurance report it will allow the identification of any gaps and targeting of	Agreeing scope

	detailed testing of high risk areas in future.	
Declaration of Interests	The review the processes and controls in place to manage declarations of interest from both officers and members.	Agreeing Terms of Reference
High Needs Funding	Review of the processes and controls in place to manage the high needs block of the dedicated schools grant.	Agreeing Terms of Reference

Table 7: Planned work not yet started

Audit	Scope of Review
Key Financial Systems	This will involve several reviews which will be agreed during quarter 3 and undertaken during quarter 4. It will cover key systems such as Council Tax, Non Domestic Rates, Creditors, Debtors etc.
Fostering	The focus of the review will be discussed with the Head of Service to identify the key risks and ensure that it adds maximum value.
Expenses	To understand the impact of remote working and the subsequent return to the office on the processes and controls in place for the payment of expenses to both officers and members.
CWLEP	Completion of the internal audit plan for the Local Enterprise Partnership. This does not directly inform the Annual internal audit opinion and is undertaken as Cheshire East are the accountable body.
Management of Commissioned Services (Adults and Children's Social Care)	The focus of the review will be discussed with the Head of Service to identify the key risks and ensure that it adds maximum value.
ERP Replacement – post implementation reviews	Post implementation assurance will be required, however, the timing of this will be agreed with the relevant services.

2.52. It is also possible that other, unplanned reviews may be undertaken at the request of management.

3. Internal Audit Performance

3.1. Internal Audit's performance is measured against a number of performance indicators which are detailed in Table 7.

- 3.2. The performance relating to the implementation of recommendations is detailed earlier in this report.

Table 8: Performance Indicators to date

Performance Indicator	2021/22 Actual	2021/22 Target	2020/21 Actual	Comments on 2021/22 Actuals
% of Audits completed to user's satisfaction	83%	92%	100%	Above target
% of significant recommendations agreed	100%	90%	100%	Above target
Chargeable Time (Assurance Work)	82%	80%	84%	In line with previous year
Draft report produced promptly (per Client Satisfaction Form)	93%	95%	100%	Reduced management resource impacts on review process

4. Compliance with the Public Sector Internal Audit Standards

- 4.1. Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings.
- 4.2. This review is carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS) which were updated with effect from 1 April 2017. The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments.
- 4.3. As previously reported to the Committee, the self assessment was delayed due to the impact of the Covid-19 pandemic and is scheduled for completion within Quarter 3.

This page is intentionally left blank



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 25 November 2021

Report Title: Arrangements for the Appointment of External Auditors

Report Of: Alex Thompson, Director of Finance & Customer Services

Report Reference No: AG/10/21-22

Ward(s) Affected: Not applicable

1. Report Summary

- 1.1. This report sets out proposals for appointing the Council's external auditor for the five-year period from 2023/24.
- 1.2. The available options are:
 - A. Establish a standalone Auditor Panel to make the appointment on behalf of the Council;
 - B. Explore the establishment of local joint procurement arrangements with neighbouring authorities; or
 - C. Opt-in to the national Sector Led Body, Public Sector Audit Appointments Ltd (PSAA).
- 1.3. The report recommends Option C.
- 1.4. In order to opt into the national Sector Led body, a decision will be required at a meeting of the full Council in time to submit a formal acceptance to PSAA by the required date of 11 March 2022.

2. Recommendation/s

That Members of the Audit & Governance Committee:

- 2.1. Recommend to Council to accept the invitation from PSAA to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2023.

3. Reasons for Recommendation/s

- 3.1. The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts.
- 3.2. In 2017 the Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 3.3. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. The closing date to opt-in to the PSAA arrangement is 11 March 2022. This enables procurement and award of contracts by the statutory deadline of 31 December 2022.
- 3.4. This report sets out the options open to the Council and the basis of officers’ recommendation to the Audit & Governance Committee to opt into the national arrangement with PSAA.

4. Other Options Considered

- 4.1. If the Council did not opt in there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members or officers and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council’s external audit.
- 4.2. Alternatively the Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- 4.3. Neither of these options is recommended as both these options would be more resource intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a

more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.

5. Background

- 5.1. There is a requirement under the Local Audit and Accountability Act 2014 for all local government and NHS bodies in England to locally appoint their external auditors.
- 5.2. A review of options was presented to the Audit & Governance Committee in December 2016 and to Council in March 2017 to support the decision to opt-in to the PSAA arrangements. The basis for that decision has not fundamentally changed in the intervening period.
- 5.3. The PSAA is again inviting the Council to opt in for the next appointing period, covering audits for 2023/24 to 2027/28, along with all other authorities, so that PSAA can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.
- 5.4. The principal benefits from such an approach are as follows:
 - PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
 - PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;
 - Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;
 - It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
 - The overall procurement costs would be lower than an individual smaller scale local procurement;
 - The overhead costs for managing the contracts will be minimised through a smaller number of large contracts across the sector;
 - There will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel';
 - A sustainable market for audit provision in the sector will be easier to ensure for the future.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for audit of the accounts of principal local authority bodies. Auditor appointments must be made for 2023/24 audits by 31 December 2022, as required by Section 7 of the Act. Appointments may be made by the audited body itself, by groups of audited bodies, or by a specified appointing person.

6.1.2. In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, the decision on opt-in must be taken by Council (“full authority”).

6.2. Finance Implications

6.2.1. The audit fees will be met from within the revenue budget. Current external audit fees levels are likely to increase when the current contracts end in 2023, regardless of the procurement option.

6.2.2. Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into a large scale collective procurement arrangement.

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. The principal risks are that the Council fails to appoint an auditor in accordance with the new frameworks or does not achieve value for money in the appointment process. These risks are considered best mitigated by opting into the sector led approach through PSAA.

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

7.2. Not applicable.

8. Access to Information

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

9. Contact Information

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

Name: Joanne Wilcox

Job Title: Head of Financial Management

Email: Joanne.wilcox@cheshireeast.gov.uk

This page is intentionally left blank

Audit & Governance Committee

Date of Meeting: 30 September 2021

Report Title: Waivers and Non-Adherences

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 cases from 1st April 2021 to the 31st August 2021.
- 1.2. The approved WARNs are published retrospectively for information to the next appropriate Audit and Governance Committee. The total number of WARNs to be presented to the September Audit and Governance Committee is 10 (consisting of 10 waivers).
- 1.3. All WARNs will be presented to the Audit and Governance Committee without any information redacted. However, they will be presented in Part 2 of the Committee as they may contain commercially sensitive information and/or Officer Details.

2. Recommendation/s

That the Audit and Governance Committee:

- 2.1. Notes the reason for 10 waivers approved between 1st April 2021 and 31st August 2021 (10 in total in 2021/22).
- 2.2. Notes that the Finance Sub-Committee will review Waivers as part of their responsibility for the pipeline of procurement activity.
- 2.3. Re-considers the process for reviewing Waivers under the new Committee System In light of Recommendation 2.2 (above) and:
 - 2.3.1. Confirms that duplication of effort will be avoided, and individual Waivers will no longer be systematically viewed by the Audit and Governance Committee
 - 2.3.2. Confirms that the Audit and Governance Committee will continue to review Non-Adherences

2.3.3. Confirms that the Audit and Governance Committee will continue to receive an oversight report of all WARNs

3. Reasons for Recommendation/s

- 3.1. The Audit and Governance Committee has an assurance role in overseeing governance arrangements within the Council. The Committee exercises this role in relation to the Council's Contract Procedure Rules (CPRs) by having oversight of the WARN process. The CPRs promote good procurement and commissioning practice, transparency, and clear public accountability.
- 3.2. In introducing the Committee system of governance, from May 2021, Council has allocated responsibility for the procurement pipeline to the Finance Sub-Committee. As such that sub-committee will receive reports on procurement activity, such as contracts awarded, contracts to be advertised, waivers and processes for significant procurement decisions. This improved level of assurance offers the Audit and Governance Committee the opportunity to review the current process of monitoring WARNs.
- 3.3. WARNs cover Waivers which are pre-approved variations from the Contract Procedure Rules, and these form part of the procurement process. Non-Adherence recognises instances where CPRs have not been followed. As such the Audit & Governance Committee can seek assurance from the Finance Sub-Committee that procurement process have followed an appropriate approval process. The Committee can continue to have oversight that this assurance role is working, by assessing reasons and numbers of Waivers, but also by continuing to have sight of any non-adherence where CPRs have not been followed.

4. Other Options Considered

- 4.1. That Audit and Governance Committee continue to seek direct assurance by receiving the copies of Waivers, whilst recognising that this duplicates the work of the Finance Sub Committee.

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 April 2021 to the 31st August 2021 (10 waivers 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, Chapter 3, Part 5. Section 7.1-7.4.

- Non-Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Chapter 3, Part 5. Section 7.5 - 7.12.

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: Waiver's

Waivers	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Apr-Aug
	40	20	16	17	25	10

- 5.2 Although COVID exemptions have reduced to two this financial year, six of the WARNs are a consequence of COVID and the issues it has caused for the care market.

Table 2: Non-Adherences increased during 2021 / 2022

Non-Adherence	2016-2017	2017-2018	2018-2019	2019 - 2020	2020-2021	Apr-Aug
	33	10	5	1	3	0

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The Finance Sub-Committee's function is to co-ordinate the management and oversight of the Council's finances, performance and corporate risk management arrangements.

6.1.2. The Finance Sub Committee's responsibilities include determination of finance issues, including but not limited to Procurement and the establishment of a procurement Forward Plan.

6.1.3. 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.

6.1.4. 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. Waivers are a compliant procurement route within the Rules and oversight of their use forms part of the Finance Sub Committee's oversight and management functions.

6.1.5. The Audit & Governance Committee will receive reports on Non-Adherences as part of their assurance role.

6.1.6. The continued reporting of Waivers to the Audit & Governance Committee will provide assurance on both the operation of the Rules and the oversight and management of a compliant process which seeks value for money but does mean that contracts are awarded without competition.

6.2. Finance Implications

6.2.1. The Council's Constitution Finance Procedure Rule 2.11; 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. The comments of Finance Officers focus on whether the Service: has identified sufficient existing budget to cover the proposal; and has also considered how to achieve best value for money via the particular recommended course of action.

6.2.3 With regard to procurement activity relating to Covid-19, the Council is closely monitoring all additional expenditure in respect of responding to the pandemic and – as required for all local authorities – is reporting summary financial information to the Ministry of Housing, Communities & Local Government on a monthly basis, in terms of Covid-19-related spending and loss of income. The financial impacts on the Council are regularly reported to Members.

6.3. Policy Implications

6.3.1. N/A

6.4. Equality Implications

6.4.1. N/A

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 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 climate change.

7. Ward Members Affected

7.1. N/A

8. Consultation & Engagement

8.1. N/A

9. Access to Information

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

10. Contact Information

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

Name: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: lianne.halliday@cheshireeast.gov.uk

Appendix 1

CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING

Category Ref	Ref Description
A	Genuine Emergency - which warrant an exception to the requirements of competition
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.
F	No valid tender bids received; therefore, direct award can be substantiated
G	Lack of Planning
H	Any other valid general circumstances up to the EU threshold
I	No time to undertake a tendering exercise, therefore extension necessary to avoid non-provision of deliverables
J	Procurement from any other source would be uneconomic at this time
K	Added value being offered by the Provider(s)
L	Extension is best option as highlighted in request form
D	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
V	Covid-19 Exemption
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.