

## **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 26th May, 2022 in the Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

### **PRESENT**

Councillor M Simon (Chair)  
Councillor J Nicholas (Vice-Chair)

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

### **INDEPENDENT COOPTED MEMBER**

Mr. Ron Jones

### **EXTERNAL AUDITORS**

Mark Dalton, Mazars

### **OFFICERS IN ATTENDANCE**

Sarah Baxter, Democratic Services Officer  
David Brown, Director of Governance and Compliance and Monitoring Officer  
Jane Burns, Executive Director of Corporate Services  
John David, Interim Director of Highways and Infrastructure  
Josie Griffiths, Head of Audit and Risk  
Jamie Hollis, Interim Head of Legal ( via Microsoft Teams)  
Brian Reed, Head of Democratic Services and Governance  
Alex Thompson, Director of Finance & Customer Services and Section 151  
Officer  
Michael Todd, Acting Internal Audit Manager

#### **1 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

#### **2 DECLARATIONS OF INTEREST**

In the interests of openness and transparency, Councillor Patrick Redstone declared that he knew both of the public speakers present for the meeting, in his capacity as a school governor.

#### **3 PUBLIC SPEAKING TIME/OPEN SESSION**

The Chair took the opportunity to welcome both Mr Ron Jones, the co-opted Independent Member to this Committee. Mr. Jones had previous audit experience and served for a number of years as a governor at South

Cheshire College, and Councillor James Nicholas the new Vice-Chair for this Committee.

The Chair asked that the thanks of this Committee be put on record to Councillor David Marren for the work he did whilst in on the Committee.

Mr. Carl Leech and Mrs. Edy Hicklin attended the meeting and spoke with regard to the Best4Business Programme.

Mr. Leech was a Cheshire East resident, and a headteacher in a Cheshire East maintained School and had concerns about the functionality of the new payroll system as part of the Best4Business programme. The Committee were advised that 2 members of staff from other Cheshire East schools had wages paid from Mr. Leech's budget over a number of months, this totalled £10k or approximately 1% of the budget. Mr. Leech believed that these kind of errors undermined the system and wanted this Committee to be aware of that and the monitoring of financial standards.

Jane Burns, the Executive Director of Corporate Services, and Executive Sponsor for Cheshire East Council for the Best4Business programme since August 2021 advised the Committee that she was not aware of the specific issues raised by Mr. Leech. However, she was aware of feedback from some schools. In April 2022, she and the Executive Director of Children's Services had written to all Head Teachers, Business Managers and Bursars acknowledging the impact of the major change to finance, procurement, human resources and payroll systems and the significant implications for those who use it. The system was still in a position of hyper-care having been rolled out in November 2021 which gave an additional level of support to users. The Transactional Service Centre was working to address any issues that had been identified. The Committee encouraged Mr. Leech to forward specific concerns for resolution.

There was a Shared Services Joint Committee and a shared Scrutiny Committee that comprised of both Cheshire East and Cheshire West and Chester Members, and they had agreed to undertake a deep-dive of the Best4Business programme to identify any lessons learned.

Executive Director of Corporate Services gave reassurances to the Committee that communication was a key part of addressing issues, and that additional support sessions had been put into place for schools with further support under consideration.

Mr. Leech asked a second question on behalf of his Business Manager Mrs. Edy Hicklin. Mr. Leech advised the Committee that as a maintained school, the governors and Head Teacher were required, by the Local Authority to submit an annual financial statement to provide assurances that the basic financial functions were being met. At the most recent governing body meeting, it was decided that the statement would be submitted before the deadline of the 30 March 2022 but not signed due to the number of issues experienced via the Best4Business programme.

The Committee heard that the specific points raised by the school were:

- support with issues was restricted to email;
- the delayed access of systems going live and tasks were rushed to meet deadlines;
- the school credit card was used in order to purchase items rather than risk being cut off by suppliers which bypassed procurement protocols;
- data being passed to the Department for Work and Pensions and staff concerns about the lack of pension contributions over a number of months; and
- the general anxiety for staff on a monthly basis that systems would fail.

Mr. Leech brought up a specific case involving a member of staff who had been underpaid significantly over the space of two-months but acknowledged that because of the due diligence of the Business Manager the wait time was reduced to 3-days from 10.

Mr. Leech had concerns about the accountability of the Best4Business system, the communication issues and the personal liability for himself and the Business Manager.

The Executive Director of Corporate Services gave reassurances to the Committee that the correspondence sent out in April gave named contacts for schools with points for escalation which was the appropriate route. She apologised on behalf of the team for the frustrations experienced by Mr. Leech and his staff and asked for details on any outstanding issues still awaiting resolution.

The Chair thanked Mr. Leech and Mrs. Hicklin for their attendance and contribution to the Committee.

#### **4 MINUTES OF PREVIOUS MEETING**

Councillor Rachel Bailey requested an amendment to the minutes of the previous meeting.

1) Under Minute 65 Declarations of Interest, the minutes stated that:

*“In the interests of openness and transparency, in respect of item 9) Member Code of Conduct Sub Committee Report (Handforth Parish Council), Councillor David Marren noted he had received email correspondence from and although he had read the information, it did not predetermine his view and he was approaching the meeting with an open mind”.*

Councillor Bailey noted that it had been accepted that all Members of the Committee had received the same email correspondence and therefore declared the same interest.

RESOLVED:

That subject to the amendment above, the minutes of the last meeting be accepted as a correct and accurate record.

## 5 AUDIT & GOVERNANCE ACTION LOG

David Brown, Director of Governance and Compliance and Monitoring Officer introduced the item and went through the items on the log in turn.

Specific mention was given to:

- The Update on the Local Ward budgets and 'Top Up' service pilot scheme, the Committee noted that a paper on this item was scheduled for the Highways and Transport Committee and once considered there, could be received by the Audit and Governance Committee. The Committee had some discussion about the role of governance and assurance within the process, and concerns were reiterated about a decision being made that had not been mandated at the budget meeting 12 months ago. This was deemed a governance issue by the Committee. John David, Interim Director of Highways and Infrastructure confirmed that the Member Pilot scheme would cease at the end of June and a review would be undertaken and a report would be presented to the Highways and Transport Committee. The Chair noted that the scheme was agreed by Council with an amendment that it was linked to Highways, Council had not discussed that the scheme would be a pilot. Suggestion was given to form a proportionally balanced working group to explore this issue further. The Director of Governance and Compliance and Monitoring Officer reviewed the amendment from 2021 and noted a review mechanism as part of the scheme in 2022/23. The Committee was advised that to act upon evidence and request a report back to Committee in time for the next meeting this suggestion was accepted by the Committee;
- In respect of the first instance of the Standing Item: Work Programme 2021/22 and 2022/23, the Chair agreed that the Chair and Vice Chair would request a meeting with the Interim Director of Highways and Infrastructure;
- In respect of the second instance of the Standing Item: Work Programme 2021/22 and 2022/23, Alex Thompson, Director of Finance and Customer Services and Section 151, advised the description of 'Smoothing Fund' was more descriptive than accurate and for clarity should read Medium Term Financial Strategy Ear Marked Reserve. The item had been entered onto the Finance Sub-Committee Work Programme and would be reviewed once the outturn figures had been received; and

- In respect of the third instance of the Standing Item: Work Programme 2021/22 and 2022/23 the item on reputational risk and assurances, Josie Griffiths, Head of Audit and Risk advised the Committee that risk management training was being scheduled and discussions were in place with the Chair and Vice Chair, and refresher training across core subjects would be given to the Committee in due course. The Committee requested that if the dates to be scheduled were in early June, the dates should be circulated asap.

The Committee requested an item be added to the log in respect of the customer experience specifically reassurances from Council engagements with Town and Parish Councils, David Brown advised he would follow up with this request with the Chair and Vice Chair.

**RESOLVED:**

That the Action Log be received and noted.

## **6 EXTERNAL AUDIT 2021/22 PROGRESS REPORT**

Mark Dalton, External Auditor, Mazars attended the meeting via Microsoft Teams and updated the Committee on external audit progress on both 2021 and 2022 financial years. Whilst the external audit for 2021 was largely completed, the national issue that related to accounting for infrastructure assets had meant no further progress could be made at this time. This issue affected the whole of the Local Government sector, and the Chartered Institute of Public Finance and Accountancy (CIPFA) had launched an urgent consultation (open until 14 June 2022) that called for temporary changes to the code of practice on local government accounting. Reassurances were given to the Committee that when the results of the consultation were known this would enable the Mazars to complete the work in a timely manner.

Mazars had completed the Value for Money (VFM) work and the VFM commentary for 2021 and this would be issued as part of the Annual Report (alongside the Opinion on the financial statements) plus any outstanding work that arises from the CIPFA consultation.

The 2021-22 Audit Planning and interim work had progressed, Mazars planned to bring the Audit Strategy Memorandum and the Audit Plan for 2021-22 to the next meeting for this Committee in July.

**RESOLVED:**

That Mark Dalton be thanked for his attendance and update to the Committee and that the progress report be received and noted.

## 7 INTERNAL AUDIT PLAN 2021/22: PROGRESS REPORT

Josie Griffiths, Head of Audit and Risk introduced the report to the Committee and Michael Todd, Acting Internal Audit Manager jointly answered any questions the Committee had.

The report covered the period April 2021- end of February 2022 and contained a summary of the audit work undertaken, the performance of the audit function against its performance measures, and details of the work which will be carried forward to 2022/23.

The Committee was advised that the Internal Audit performance was above, or in line with targets, implementation of actions was positive and then given the opportunity to ask questions. There was some discussion about:

- Assurances with regard to the resilience of the Internal Audit Team;
- The mix of opinions on reports received, some of the previous sources of assurances were now not open to the Internal Audit Team but it was not of concern at the moment;
- Recommendations meeting achieved outcomes, this was followed up specifically if there were limited or no assurances;
- Best4Buisness, and the ongoing work with Cheshire West and Chester Council (CWaC) and the assurances with regard to the programme. Training implementation work had been rolled out, reports had been produced for Finance and HR modules, concerns were raised where criteria had not met sign-off, outstanding issues were caveated, and these were monitored. Work had started on key controls and these were embedded before the system went live and tests were being carried out to flag any areas of non-compliance within the design;
- The time-line for the review of land transactions, reassurance that improvements, arrangements and recommendations previously outlined were robust and continued to be complied to. Also to note any work that took place should link back to the audit work started at an earlier point in time.
- The £37k fraudulently claimed covid grants with respect of restart grants for businesses. The Committee noted these funds were rolled-out at speed and the teams that issued them did adhere to all the robust checks and balances implemented by Internal Audit. The fraudulent grants related to three applications, and these had been report to the National Anti-Fraud Network and several Government bodies. In comparison with other Local Authorities, Cheshire East was viewed as robust in terms of checks and balances, the loss of funds whilst regrettable was a small percentage of the overall grant funds rolled out. Systems did develop and lessons were learned, organised criminals were

always a risk consideration with respect to minimised financial losses to the Council;

- Any opinions published as part of the Best 4 Business programme will be done in partnership with CWaC;
- Issued that had occurred in the past between approved use of purchase credit cards. New measures and guidance had been introduced and the Internal Audit team were reassured these measures would have a positive effect on any future approved use coding and purchasing;

RESOLVED:

That the Internal Audit Update Report be received and noted.

## **8 MEMBER CODE OF CONDUCT**

Jamie Hollis, Interim Head of Legal attended the meeting via Microsoft Teams and introduced the report.

The Committee was reminded that a Standards in Public Life report was published in 2019, that resulted in the Local Government Association (LGA) producing a model Code of Conduct (CoC).

The current CoC for Cheshire East was established in 2018 and this Committee took the opportunity to form a working group to review the LGA model code to assess suitability for adoption at Cheshire East Council. The Working Group had been meeting for a number of months using the model code as the basis for any potential revision to the existing code.

The report contained a draft of the proposed code and the procedure that sat alongside the code. Whilst the CoC remained largely as the model code, there had been a number of amendments proposed by the Working Group that were considered appropriate for Cheshire East.

The Committee was given the opportunity to ask questions. Members of the working group expressed concern about adopting the CoC, and felt there had been significant work undertaken by the Working Group and officers and that there had been no opportunity to review the final draft ahead of the meeting.

The Committee noted that there were comments from the Leaders Group which it was content with, however Town and Parish Councils within the borough were able to adopt the Cheshire East CoC and that in order to be open and fair, more consultation with them should be considered. In order to address these matters the Committee was not in a position to approve the report recommendations.

Some of the Committee members did challenge this perspective and were content with the report, code and procedure in the current form and were happy to recommend approval to full council.

**RESOLVED:**

That the item be deferred until the 28 July 2022 Audit and Governance Committee meeting.

## **9 UPHELD COMPLAINTS TO THE LOCAL GOVERNMENT OMBUDSMAN**

Brian Reed, Head of Democratic Services and Governance introduced the report and noted to the Committee that between the 20 January 2022- 29 March 2022 there had been three instances of maladministration upheld by the Local Government Ombudsman (LGO), two of which related to Highways and one to Special Educational Needs and Disability (SEND).

John David, Interim Director of Highways and Infrastructure advised the Committee that the first highways complaint had been closed by the LGO and was being managed by the claim-handlers. The second highways complaint had also been closed by the LGO and an apology had been offered. The Committee was given assurance that the Highways department had brought in significant process changes, a governance structure and improvements within the culture in the last three-months which would help mitigate any further complaints to the LGO.

The Committee was reassured by the proactive measures, particularly in respect of culture, being taken by the highways department, however it was noted that there was a negative perception of communication mentioned throughout the report.

The Committee acknowledged the opportunity it had in speaking directly to the Interim Director of Highways and Infrastructure and asked a question about the closure between Pyms Lane and Flowers Lane Hospital Campus, to date no work had commenced, and there were concerns this would further impact the closures estimated at 80-weeks. There had been impacts on the waste collection service and it was noted the food and garden waste site was at Leighton. Members were agreed that Ward Members should be provided with more detail on the schedule for closures but it was noted that Member briefings had taken place with plans to extend out to all Members.

The Committee noted that there had been a number of complaints from Crewe residents who had felt the impact the road closures and subsequent waste collection delays, particularly from older people.

The Interim Director of Highways and Infrastructure gave assurances to the Committee that the Highways department had developed technological advancements, such as QR codes and Geographic Information System



(GIS) to help give residents more information about current road closure schemes and future planned road closures and the benefits the schemes will be bringing.

RESOLVED (Unanimously):

That the Interim Director of Highways and Infrastructure be thanked for their time and that the report be received and noted.

## 10 ANNUAL RISK MANAGEMENT REPORT 2021/22

The Head of Audit and Risk presented the report to the Committee, it covered the Quarter four position on the Strategic Risk Register along with the full year view of the Register.

The Annual Review as part of the Risk Management Update highlighted the impact of Covid, and the prioritisation of risk management activity directed towards the pandemic.

2022/23 service risk registers were being refreshed and provided the opportunity to ensure escalation of risk was working effectively.

The Committee asked questions about:

- the increase in reserves that related to Council Funding and associated risks. Alex Thompson, Director of Finance & Customer Services and Section 151 Officer noted that there was no financial settlement at the start of the period and there were risks that had to be managed through the consultation period for the Medium Term Financial Strategy (MTFS). There was now a three-year financial settlement that had enabled to Council to balance the budget. The risk would never reduce to zero, however the position changed in the final two quarters of the year in a positive way; and
- Potential risks associated with recruitment and retention of staff. The Executive Director of Corporate Services noted that whilst the risk towards organisational capacity and demand within the report was focused toward the issues within Children's Services, there were issues across the Council with capacity and demand.
- There was some discussion about a national issue or staff being poached across borders particularly in the Social Care sector.

RESOLVED:

That the Annual Risk Management Report 2021/22 be received and noted.

## 11 STANDING ITEM: WORK PROGRAMME 2022/23

The Committee considered its Work Programme and noted:

- The Ward Budget decision needed to be added to the Work Programme; and
- The Code of Conduct item needed to be deferred until the July meeting.

RESOLVED:

That the Work Programme be received and noted.

## 12 **CONTRACT PROCEDURE RULE NON-ADHERENCES**

Jane Burns, Executive Director of Corporate Services introduced the report to the Committee

RESOLVED: That

- a) the reason for 11 waivers approved between 1 December 2021 and 30 April 2022 (37 in total in 2021/22) be noted;
- b) the reasons for the 4 non-adherences approved between 1 December 2021 and 30 April 2022 (4 in total for 2021/22) be noted; and
- c) it be noted that the Finance Sub-Committee, on the 2 March 2022, reviewed the Waivers for this period as part of their responsibility for the pipeline of procurement activity

## 13 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

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

## 14 **CONTRACT PROCEDURE RULE NON-ADHERENCES: PART TWO**

The Committee considered the Contract Procedure Rule Non-Adherences.

RESOLVED: That the records of Contract Procedure Rule Non-Adherences be received and noted.

The meeting commenced at 10.30 am and concluded at 1.11 pm

Councillor M Simon (Chair)

## **Response to questions raised at 26 May Adults & Health Committee**

### **Agenda Item 3: Public Speaking Time/Open Session**

Mr. Carl Leech and Mrs. Edy Hicklin attended the meeting and spoke with regard to the Best4Business Programme.

Whilst some of the issues raised by Mr. Leech and Mrs. Hicklin were addressed in the Committee, the Executive Director of Corporate Services agreed to follow up any outstanding issues outside of the meeting.

The issues raised by Mr Leech, the follow-up actions and current status, may be summarised as follows:

#### **Other school staff coded to Rode Heath in error**

Unfortunately on a couple of occasions, when completing forms in the system relating to staffing changes in schools, errors were made when processing the 'employment admin form' which meant that 'position numbers' relating to Rode Heath were selected, rather than position numbers relating to roles within the appropriate other schools. This had the effect that the pay of the related staff was coded to Rode Heath school, rather than the correct maintained school.

The miscodings of pay costs have been corrected by the Council's Schools Finance Team; and colleagues within the shared Transactional Services Team are in the process of amending the 'position' details, to ensure that individuals are correctly associated within the system to their school, and future pay will be coded as appropriate.

In addition, further checks are now carried out within Transactional Services/ Recruitment & Pay Team, regarding the processing of employment admin forms, and the position numbers selected.

#### **Other matters**

Subsequent to the Audit & Governance Committee meeting, further details were provided by the school with regard to the member of staff only being paid 10% of her salary; this matter is being investigated within Transactional Services.

There were issues with regard to the production of 'real-time information' (RTI) submissions to the Department for Work & Pensions. Transactional Services worked closely with our implementation partner over a number of weeks, and the matter is now resolved.

Teachers' pensions contributions have been deducted from salaries and paid over to the Scheme each month since the system went live. Unfortunately, there has been an issue with the associated monthly data file, that would enable the Pension Scheme to analyse the payments

received, by individuals. This continues to be investigated as a priority – and it is believed the issue is close to a resolution.

**Current status**

Paul Goodwin, Head of Financial Services, has provided responses to Mr Leech on the matters as described above, and remains in contact to help ensure that any remaining issues are resolved.