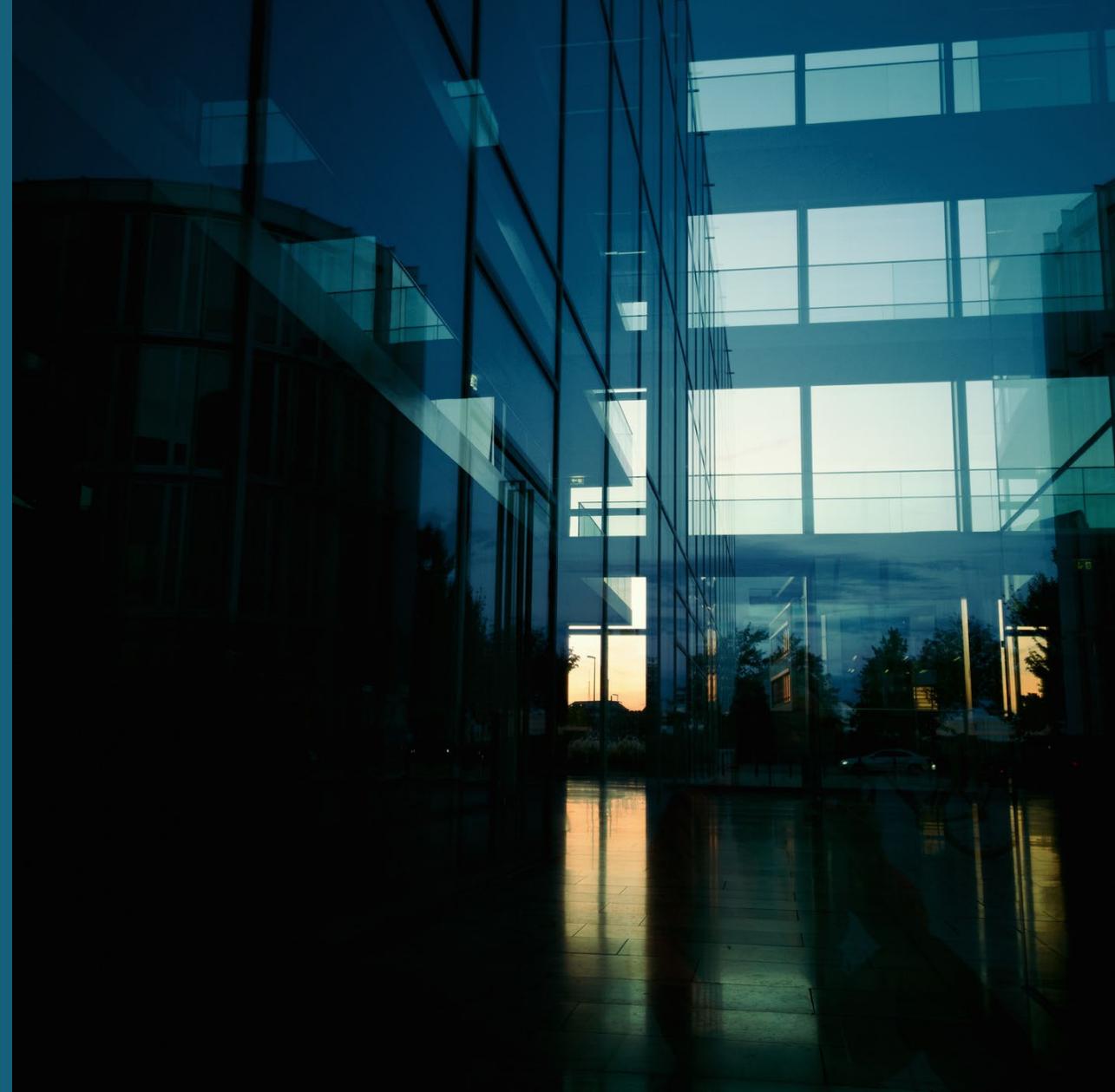


Audit Completion Report

Cheshire East Council - Year ended
31 March 2022

March 2023



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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Audit and Governance Committee
Cheshire East Council
Westfield, Middlewich Road
Sandbach
CW11 1HZ

28 February 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in July 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07795 506766.

Yours faithfully

Mark Dalton
Mazars LLP

Mazars LLP
5th Floor
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Leeds
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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls
- Net defined benefit liability valuation
- Valuation of property, plant and equipment including investment properties

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report there are some matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter prior to signing the auditor's report.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We only received group instructions from the National Audit Office in respect of our work on the Council's WGA submission on the 15 February 2023. Our work in response will be undertaken in the coming months.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Whilst we have received correspondence from a member of the public there are no matters to bring to the Committee's attention.

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02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Property, plant and equipment		We are awaiting details of the Council's response to recently issued guidance providing a temporary solution to the sector-wide accounting issue relating to how local government bodies account for infrastructure assets
Laws and regulation		We are awaiting completion of internal audit's review of land transactions (mentioned within the recent public interest report – see page 26 for further details) to complete our work on compliance with laws and regulation.
Whole of the government accounts		We received the instructions for the completion of audit procedures supporting the WGA return for 2021/22 from the NAO on the 15th February. Our work in response remains outstanding at this time.
Financial statements, Annual Governance Statement (AGS) and letter of representation		We will complete our final review of the financial statements, AGS and letter of representation upon receipt of the final signed versions.
Audit review and quality control		Completion of Manager and Partner review and Engagement Quality Review procedures in respect of the audit.

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

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



03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit, Governance and Standard Committee in July 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £15.5m for the Group financial statements and £15.0m for the Council single-entity statements using a benchmark of 2% of gross expenditure at the Surplus/Deficit at Net Cost of Services level. Our final assessment of materiality, based on the final financial statements and qualitative factors has remained unchanged.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures.

Item of account	Management's expert	Our expert
Defined benefit liability	Hyman & Robertson Actuaries	PwC – NAO's consulting actuary
Property, plant and equipment valuation	Montagu Evans and Farms Estate Shared Service	We used available third party information to challenge the key valuation assumptions
Financial instrument disclosures	Arlingclose Treasury Advisors	We reviewed the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used

There are no issues arising from our consideration of the work of experts .

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the [Council] and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll, non-pay expenditure and other transactional items of account	Cheshire transactional services shared services	We obtained assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly. Our testing include sample testing of transactions based on evidence available from the Council rather than the Shared Service..

There are no issues arising in respect of our work on service organisations.



3. Audit approach

Group audit approach

The Council's group structure for 2021/22 includes four wholly owned subsidiary company, Cheshire East Residents First Limited (CERF), ANSA Environmental Services Limited, Transport Service Solutions Limited and Orbitas Bereavement Services Limited, we obtained assurance over the transactions in the Group relating to the Council's subsidiaries through our planned audit approach as set out below.

Our approach reflected the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council's Group financial statements. Our approach is outlined below, and we confirm there are no changes to the planned approach set out in our Audit Strategy Memorandum.

Group component	Approach adopted	Key points or other matters to report	
Cheshire East Council		Full audit – matters included in this report	<p>Full audit Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality</p>
Cheshire East Resident First Limited (CERF)		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.	<p>Audit of balances and/or disclosures Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality</p>
ANSA Environmental Services Limited		ANSA was assessed as significant by size at the planning stage of the audit. We performed specific procedures by testing all material balances consolidated in the group accounts to gain assurance over these balances. There are no matters arising from our work that we need to bring to your attention.	<p>Specific audit procedures Performance of specific audit procedures on the component's financial information</p>
Transport Service Solutions Limited (TSS)		TSS was assessed as significant by size on receipt of the draft accounts for 2021/22. We performed specific procedures by testing all material balances consolidated in the group accounts to gain assurance over these balances. There are no matters arising from our work that we need to bring to your attention.	
Orbitas Bereavement Services Limited		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.	<p>Review procedures Review of the component's financial information prepared for group reporting purposes using the component materiality assigned</p>



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Our work on management override of controls is complete and there are no matters to bring to the Committee’s attention.</p>



4. Significant findings

Valuation of defined benefit liability

Description of the risk

The pension liability represents a material element of Cheshire East Council's balance sheet. The Council is an admitted body of the Cheshire Pension Fund (CPF), which had its last triennial valuation completed as at 31 March 2019.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

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

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2021/22.

How we addressed this risk

Our audit procedures included:

- Critically assessing the competency, objectivity and independence of the CPF's Actuary, Hyman Robertson
- Liaising with the auditors of the Cheshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

Our work on valuation of pension liability is complete and there are no matters to bring to the Committee's attention.

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4. Significant findings

Valuation of property, plant and equipment (Land & buildings and investment properties)

Description of the risk

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

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

As a result of the rolling programme of revaluations, there is a risk that the value of individual assets which have not been valued for up to four years are not materially fairly stated at their current value as at the end of the reporting period. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.

How we addressed this risk

Our audit procedures included:

- Obtaining an understanding of the Council's valuer's qualifications, objectivity and independence to carry out such valuations.
- Reviewing the valuation methodology used in the year including testing the underlying data and assumptions.
- Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies.
- Reviewing the approach that the Council has adopted to address the risk that assets not subject to valuation in 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers.
- Considering the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

Audit conclusion

Subject to the satisfactory completion of the work outstanding (set out in Section 2 in relation to infrastructure assets), our work has provided the assurance we sought in the above areas and has not highlighted any issues to bring to the Committee's attention.



4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council on 29 July 2022 in line with agreed timescales. The accounts were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries and ensuring that Council officer colleagues have prioritised responding to our audit queries.

Significant matters discussed with management

During the audit we maintained a regular dialogue with management. Among the matters discussed through these conversations were:

Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Council's operations and financial statements. .

Impact of the War in Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we have discussed with management the impact of the war on the Trust’s operations, and whether any disclosures are required in the Council’s financial statements. We are satisfied there are no issues arising which would require specific disclosures in the Council’s financial statements

Accounting for infrastructure assets

The Council holds a material value of Infrastructure Assets within its Property, Plant and Equipment balance on the balance sheet. During 2021/22 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code.

This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

A sector wide temporary solution has now been provided and, as detailed in section 2, we await details of the Council's response to this recently issued guidance.

Significant difficulties during the audit

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

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit. However, as highlighted on page 26, the predecessor auditor (Grant Thornton LLP) issued a Public Interest Report on 17 January 2023.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. Whilst we have received correspondence from a member of the public there are no matters to bring to the Committee’s attention not covered elsewhere within this report.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

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

We have also provided an update on the internal control recommendations made during 2020/21.

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



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Our testing identified 46 users that retained general ledger systems access post their leave date.

Potential effects

User access not removed in a timely manner may lead to inappropriate access to systems and increased risk of unauthorised activity / transactions.

Recommendation

The leavers process should be adhered to in full in order to ensure that colleagues and third parties no longer requiring access to systems and data are removed on a timely basis.

Management response

The leavers process is now well defined and actioned by the Governance & Support team. Systems access is currently being reviewed to ensure that leaver should not be able to access the system post their leave date.

Audit team response:

We will review these processes and procedures again as per of our 2022/23 audit.

Other deficiencies in internal control – Level 2

Description of deficiency

Our review identified an instance where a new user was granted access to a system prior to approval of the access request.

Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

Recommendation

Management should ensure that there is appropriate approval prior to granting access to IT systems.

Management response

Processes are now in place to ensure that accesses are only provided if line manager approval is obtained.

Audit team response

We will review these enhance processes and procedures as part of our 2022/23 audit.



5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

Our testing of the leases (Council as Lessor) identified one item (from a sample of three and with a value of £11.5m) where a signed copy of the lease agreement was not available / retained on file.

Potential effects

In the absence of a signed lease agreement there is a risk of incorrect rental income being charged to the accounts and an increased risk of legal difficulties in the event of any contractual disputes.

Recommendation

The Council should ensure that proper, completed, signed documents are retained for each lease.

Management response

A more robust internal Completion Memo and copy Signed Legal Agreement procedure has been set up with Legal Services. A new Case Management System in Concerto Data Base (Property Terrier) has been set up. All transactions/documents are being recorded and tracked at specific milestones. This will enable the Property Information Service to obtain and update Concerto (Asset Property Terrier) with all the correct information /documents and ensure the billing is correct with trail of documents included in the case management system. The Case Management System is operational and will be fully updated from 1st April 2023.

Other deficiencies in internal control – Level 2

Description of deficiency

Our journals testing identified one instance of a journal being posted without a line description.

Potential effects

Posting journals without descriptions diminishes the audit trail and increases the risk of erroneous or fraudulent transactions being posted to the ledger undetected.

Recommendation

There should be a review process to ensure that journals without descriptions are not approved / posted to the ledger.

Management response

Training will be given to the team to ensure that all fields on the journal template are completed before being uploaded to the system. Approvers of the journals will be reminded to ensure that all description lines are complete before approving them in the system and to reject those where there are description details missing.



5. Internal control recommendations 2020/21 (follow-up)

Other deficiencies in internal control – Level 2

Description of deficiency

The Council’s wholly owned companies (ANSA Environmental Services Limited, Orbitas Bereavement Services Limited, Tatton Park Enterprises Limited and Transport Services Solutions Limited) did not in 2020/21 comply with the publication scheme requirements of the Freedom of Information Act 2000.

Whilst the Council, as the ‘owning’ public authority, is, per the Information Commissioner’s Office (ICO) guidance, only responsible for raising awareness of these responsibilities with the wholly owned companies, the Council could have done so more proactively.

We understand that steps have been taken in early 2021/22 to ensure full compliance going forward.

Potential effects

In the absence of more proactive encouragement and shareholder agreement management by the Council, there is a risk that the Council’s wholly owned companies will continue to fail to fully comply with the publication scheme requirements of the Freedom of Information Act 2000.

Recommendation

The Council should proactively, and as a minimum on an annual basis, ensure the wholly owned companies are complying with the publication scheme requirements of the Freedom of Information Act 2000.

Management response 2020/21

Agreed.

Management Update in 2021/22

CEC has discussed the requirements of the Publication Scheme with the Wholly Owned Companies and is monitoring progress on implementation; good progress has been made with all of the Wholly Owed Companies moving towards full compliance

Audit team response

We will further follow up progress as part of our 2022/23 audit.



5. Internal control recommendations 2020/21 (follow-up) continue.....

Other deficiencies in internal control – Level 2

Description of deficiency

During our testing of property, plant and equipment (PPE) we found instances where the land values within the Council's accounts were overstated. These instances totalled £10.1m and related to land under shared ownership where the land area owned by the third party had not been removed from the Council's asset base and associated valuation report. Appropriate review of the Council's valuer's valuation report should have identify such errors.

Potential effects

The absence of appropriate review of the valuer's valuation report may lead to incorrect valuations of land or other PPE being undetected and misstated balances being incorporated within the Council's financial statements.

Recommendation

The Council should ensure appropriate review of the valuer's valuation report prior to incorporating the values within the financial statements.

Management response 2020/21

The Council will ensure that the plans are checked prior to issue to the external valuers to ensure that the mapped boundaries only include CEC owned land. The Council will ensure there is appropriate review of the valuation report prior to incorporating the values within the financial statements.

Management Update

The Assets team did, for 2021/22 and will do so going forward, ensure that plans were checked before being submitted to the external valuers to make sure that the plan included the correct land owned by the Council.

Audit Conclusion:

Matter is now closed.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £450,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Expenditure (Payroll cost)	491			
	Cr: Cash and cash equivalent			491	
This error is in relation to the posting of July 2021 payroll journal causing overstatement of the bank account by 491k and understatement of payroll cost.					
2	Dr: Expenditure	5,610			
	Cr: Creditors				5,610
Extrapolated error from our post year end cut off testing which identified 2 items (of £234k and £130k) recognised in 2022/23 rather than being accrued for in 2021/22.					
3	Dr. Unusable Reserve			4,700	
	Cr. Surplus Assets (PPE)				4,700
Being an error in relation to the incorrect basis of valuation of surplus assets.					
Total unadjusted misstatements		6,101	-	5,191	10,310

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	15,663			
	Cr: Expenditure		15,663		
Being an adjustment to rectify overstatement of income and expenditure due to incorrectly charging Dedicated School Grant to Comprehensive Income and Expenditure Statement.					
2	Dr Intangible assets			12,954	
	Cr. Vehicle, plant, furniture and equipment				12,954
Being an adjustment to correct the classification of intangible assets which were incorrectly classed as “vehicle, plant, furniture and equipment” within the property, plant and equipment note (Note 7 of the Accounts).					
Total adjusted misstatements		15,663	15,663	12,954	12,954



6. Summary of misstatements

Amended Disclosure

The following minor disclosure amendments have been agreed with management and actioned within the revised Accounts:

- **Note 31 Related Parties** - Receipts/Payments to related party organisations - Cheshire East Citizens Advice Bureau (CAB) and Cheshire Police - have been amended (from payments of £374k to £386k for the CAB and from payments of £386k to £549k and receipts of £31k to £114k for the Police)..
- **Note 9 Financial instruments** - the disclosure relating to the Life Sciences Fund required amendment to make it clear that it is an investment not a loan.
- **Note 35 Events after the Reporting Period** - the note has been updated to correct the list of schools converting to Academies in year

We have also identified a number of minor presentational amendments which have been adjusted by management.

Unamended Disclosure

- **Note 29 Leases** - There is an overstatement in respect of the Council's operating leases as a lessor. with a disclosure error of £1.12m

If any misstatements are identified on completion of the outstanding audit work highlighted in section 2, these will be reported to the Audit and Governance Committee in a follow-up letter.



07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services

Governance - How the Council ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within three months from the date of audit opinion.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements. This includes considering the Public Interest Report (PIR) issued by Grant Thornton LLP on 17 January 2023 on the impact of the Council's culture and governance arrangements during 2014 – 2018 and internal audit's review of land transactions (highlighted as outstanding in section 2 of this report).

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report within three months from the date of audit opinion.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Mark

Cheshire East Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Cheshire East Council ('the Council') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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



Appendix A: Draft management representation letter (continued)

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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

Laws and regulations

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

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



Appendix A: Draft management representation letter (continued)

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Charges on assets

All the Authority's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.



Appendix A: Draft management representation letter (continued)

Future commitments

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

Subsequent events

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

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

Covid-19

I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Russian-Ukraine Conflict

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Trust, including the impact of mitigation measures and uncertainties

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Alex Thompson
Director of Finance & Customer Services



Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Cheshire East Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council’s and the Group expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance & Customer Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance & Customer Services with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

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

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

We have nothing to report in this regard.

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

As explained more fully in the Statement of the Director of Finance & Customer Services Responsibilities, the Director of Finance & Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance & Customer Services is also responsible for such internal control as the Director of Finance & Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & Customer Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance & Customer Services is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report

We evaluated the Director of Finance & Customer Services incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit, Governance and Standards Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit, Governance and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit, Governance and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance & Customer Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.



Appendix B: Draft audit report

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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



Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Mark Dalton, Key Audit Partner

For and on behalf of Mazars LLP

5th Floor, 3 Wellington Place

Leeds

LS1 4AP

DD/MM/ 2023



Appendix C: Independence

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

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance & Customer Services that Cheshire East Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>



Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Chair of the Audit, Governance and Standard Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Mark Dalton, Director – Public Services

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.