

Audit and Governance Committee Annual Report 2022/23

Working for a **brighter future**  together



Introduction

As the current Chair of the Audit and Governance Committee, I am pleased to present this detailed report on the work of the Committee during 2022/23.

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 current 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.

During the year, the Committee engaged CIPFA to complete a review of the Committee, and the arising report and action plan are being taken forward to ensure the work of the Committee is effective and supports the wider organisation.

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'.

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

Councillor Michael Beanland
Chair of the Audit and Governance Committee

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Role of the Audit and Governance Committee

The Audit and Governance Committee is a key component of the Council's corporate governance arrangements. The Committee provides independent assurance to the Council through:

- An independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards
- Independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes
- Promotion of high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including other persons acting in a similar capacity), and
- Oversight of internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place

The role and responsibilities of the Council's Audit and Governance Committee are set out in written terms of reference which are regularly reviewed by the Committee to ensure compliance with relevant legislation and recommended good practice. The terms of reference are set out in the Council's Constitution which is published on the website along with all the agendas, minutes and supporting papers.

Constitution:

<https://www.cheshireeast.gov.uk/pdf/council-and-democracy/constitution/cheshire-east-council-constitution-chapter-2-december-2022.pdf>

Audit and Governance Committee Meetings:

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListMeetings.aspx?CId=486&Year=0>

The Committee's responsibilities include, but are not limited to, the following matters with a view to bringing any relevant issues to the attention of the Council:

- Oversight of governance, risk management and internal control frameworks
- Oversight of the integrity of the Council's financial statements
- Oversight of the external auditor's performance, objectivity and independence
- Oversight of the performance of the internal audit function

In order to help the Committee meet its responsibilities, each year, management provide training sessions for the Committee on subject areas within their remit. During 2022/23, this included induction training for substitute/new members in July and September 2022 and risk management training in September 2022.

Meetings and Membership

During the 2022/23 municipal year, the Audit and Governance Committee met on 5 occasions and was comprised of 10 members:

- Councillor Margaret Simon (Chair)
- Councillor James Nicholas (Vice-Chair)
- Councillor Rachel Bailey
- Councillor Carol Bulman
- Councillor Mark Goldsmith
- Councillor Alift Harewood
- Councillor Marilyn Houston
- Councillor Patrick Redstone
- Councillor Mike Sewart
- Mr Ron Jones (Independent Co-opted Member)

The Audit and Governance Committee meetings were well attended with substitutes occasionally used when a member could not be present. All substitutes were provided with training prior to attending meetings, and during 2022/23, substitute members were used on 5 occasions.

Committee Attendance statistics:

<http://moderngov.cheshireeast.gov.uk/ecminutes/mgAttendanceSummary.aspx?RPID=486>

The Committee was also routinely attended by the following officers and external parties:

- Executive Director, Corporate Services
- Director of Governance and Compliance and Monitoring Officer
- Director of Finance and Customer Services and S151 Officer
- Head of Audit and Risk
- Acting Internal Audit Manager
- Senior Procurement Manager
- Democratic Services Officers, and the
- External Auditors

How the Committee discharged its responsibilities during 2022/23

Key Committee Activities	May 2022	July 2022	Sept 2022	Nov 2022	Mar 2023
Governance, Risk and Control					
Received updates on the production and review of the Annual Governance Statement		•		•	
Received an update on Information Governance		•			
Received and approved the draft Annual Governance Statement 2021/22			•		
Received and approved the final Annual Governance Statement 2021/22					•
Received the 2021/22 Monitoring Officer Report			•		
Reviewed and agreed the Audit and Governance Committee Annual Report 2021/22			•		
Considered the Annual Risk Management Report 2021/22	•				
Received a Risk Management Update				•	•
Received an update on the agreed recommendations in relation to the Public Interest Report					•
Received a report detailing the findings of the CIPFA Review of the Audit and Governance Committee					•
Internal Audit					
Reviewed internal audit plan progress reports and Internal Audit Charter	•			•	•
Received the Internal Audit Annual Report 2021/22		•			
Received and approved the Internal Audit Plan 2023/24					•

Key Committee Activities	May 2022	July 2022	Sept 2022	Nov 2022	Mar 2023
External Audit					
Reviewed external audit progress reports	•	•	•	•	
Received the external audit Findings and Action Plan 2021/22					•
Considered the Certification of Housing Benefit Subsidy Claim and Teachers Pensions Return 2021/22					•
Annual Statement of Accounts					
Received the 2021/22 Draft Statement of Accounts ¹		•			
Related Functions					
Considered a report on upheld complaints to the Local Government Ombudsman	•	•	•		
Consideration of Contract Procedure Rule Non-Adherences and Waivers	•	•	•	•	•
Considered the outcome of the Investigatory Powers Commissioner's Office Inspection					•
Received the Six-Monthly Complaints Report					•
Standards Arrangements					
Reviewed the proposed revised Code of Conduct for Members and recommended to Council for adoption	•	•			
Other Matters					
Received the Ward Member Budget Report				•	

¹ At the March 2023 meeting, the Committee delegated authority to the S151 Officer to sign off the Statement of Accounts once the audit has concluded.

Governance, Risk and Control

The Audit and Governance Committee oversaw the production of the Council's Annual Governance Statement (AGS) and received updates regarding progress on the AGS significant issues. As part of the production of the 2021/22 AGS, the Committee reviewed and approved the proposed changes to the significant issues detailed in the Statement at the September 2022 meeting. The Committee reviewed the final AGS in March 2023 where it requested the following additional references be included:

- The role of the Scrutiny Committee and how it links with Service Committees and the Audit and Governance Committee
- That the Audit and Governance Committee had sought assurance around the governance of an urgent decision taken to the Children and Families Committee in relation to the All-Age Carers Hub in September 2022

At the March 2023 meeting, the Committee also delegated authority to the Chief Executive and Leader of the Council to sign off the 2021/22 AGS once the external audit had concluded.

The Committee considered the effectiveness of the Council's risk management arrangements, the control environment, and associated anti-fraud and anti-corruption arrangements through the regular review of risk management update reports along with receiving the Annual Risk Management Report.

The Committee was regularly briefed on counter fraud arrangements and investigations via the internal audit updates and the annual internal audit report.

In February 2023, Council considered a Report in the Public Interest published by Grant Thornton on 17 January 2023. Subsequently, the Audit and Governance Committee received an update on the three Public Interest Report recommendations and agreed the terms of reference for the internal audit assurance review to conclude the recommendation delegated to Audit and Governance Committee. The Committee also requested that progress updates on the internal audit review would be provided ahead of the final report being provided at a future meeting.

In July 2022, the Committee endorsed a review to be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) against the updated guidance 'Audit Committees: Practical Guidance for Local Authorities and Police'.

In March 2023, the Committee received an update on the progress of the review and the proposed next steps. At the meeting it was agreed that all members of the Committee be invited to attend a workshop in April 2023. At this workshop, members received the CIPFA report findings and formulated proposed actions to be taken forward by the Committee.

Internal Audit

The Audit and Governance Committee reviewed and approved the annual internal audit plan at its March 2023 meeting. The plan closely aligns with the Council's

strategic risk register and corporate plan and identified priority work to be completed in the first half of the year along with additional areas for consideration in quarters 3 and 4.

The Committee received regular update reports from the Head of Audit & Risk. Such reports enable the Committee to monitor the progress of the internal audit plan, discuss key findings and the plans to address them.

The Committee also considered the Head of Audit & Risk's opinion on the adequacy and effectiveness of the control environment and reviewed the effectiveness of internal audit.

External Audit

The Audit and Governance Committee received regular progress reports from the external auditor throughout the year. The Committee was also informed that Mazars had been appointed as the Council's external auditor for a further 5 years, following the completion of the procurement undertaken by Public Sector Audit Appointments Ltd (PSAA).

The Committee received the external audit findings and action plan for 2021/22 in March 2023 and was informed that the Value for Money work was still ongoing.

Annual Statement of Accounts

The Audit and Governance Committee received and reviewed the draft Statement of Accounts 2021/22 along with a presentation on the accounts by the S151 Officer. The Committee sought clarity on items in the accounts and the dates for the approval process of the Statement of Accounts. At the March 2023 meeting, the Committee delegated authority to the S151 Officer to sign off the 2021/22 Statement of Accounts once the audit has concluded, and to notify committee members once the final signed accounts have been published on the council's website.

Related Functions

The Audit and Governance Committee received updates on complaints and decision notices issued by the Local Government and Social Care Ombudsman. In addition to receiving the reports, the Committee gained assurance from senior officers that steps had been taken to improve processes and help mitigate any further complaints to the Ombudsman.

During 2022/23, the Committee agreed that the frequency of such updates be amended from quarterly to 6 monthly to allow more time for analysis and the provision of context for the complaints.

The Committee has a key role in overseeing the operation of the Contract Procedure Rules by receiving regular reports setting out the number, type and reasons for waivers and non-adherences. The Committee is presented with unredacted copies of

all non-adherences for the period as a Part 2 item, the intention being to ensure good procurement and commissioning practices and clear public accountability.

In March 2023, the Committee also considered the outcome and agreed the action plan to address the suggested improvements arising from the inspection by the Investigatory Powers Commissioner's Office.

Standards Arrangements

The Committee received assurance on key aspects of the Monitoring Officer's responsibilities in the annual Monitoring Officer report which was received in September 2022. The 2021/22 annual report covered areas including but not limited to the Members' Code of Conduct, register of gifts and hospitality and training and development.

During 2022/23, the Committee formed a working group to review the Local Government Association (LGA) model Code of Conduct to assess its suitability for adoption by the Council. The draft Member Code of Conduct was subsequently put to, reviewed, and debated by the Committee in both May and July 2022. At the July Committee it was agreed that the draft Code, incorporating all amendments by the Group Leaders be recommended for adoption by full Council. The Committee also approved the Member Code of Conduct Complaints Procedure. Council adopted the Member Code of Conduct and Member Code of Conduct Complaints Procedure in October 2022.

Hearing Sub-Committee

No meetings of the Hearing Sub Committee were held during 2022/23.

Audit and Governance Committee Priorities for 2023/24

There are several key areas that the Committee will need to consider and progress during 2023/24 in addition to its core business.

Following receipt of a Report in the Public Interest in January 2023, Full Council delegated authority to Audit and Governance Committee to oversee completion of one of the recommended actions. This was in relation to an internal audit review of land transactions and the Committee agreed the terms of reference for the review at its meeting in February 2023.

The Internal Audit Report on Land Transactions was received by the Committee in June 2023 following the completion of the review and agreement of management actions, thus completing the outstanding action from the Report in the Public Interest.

As previously referenced, CIPFA undertook a review of the Committee during 2022/23 and the report was received, and a workshop was held to formulate an action plan in response to the findings report.

Moving into 2023/24, the focus for the Committee will be on ensuring that identified areas of improvement are progressed and implemented during the year. This is being supported by the formation of a subgroup to oversee this work, which is meeting regularly and aims to bring revised Terms of Reference to the December Audit and Governance Committee.

Another recommendation from the CIPFA review was the recruitment of a second co-opted independent member role onto the Committee. This has also progressed, with the preferred candidate being recommended for adoption by Council at the October 18 Council meeting.

It was anticipated that there would be changes to the membership of the Committee following the local elections in May 2023 and this will require training to be delivered to any new members in line with the requirements of the Constitution. During the year work will continue to ensure that the skills and knowledge of all Committee members is supplemented by appropriate training and development.