

Audit and Governance Committee Annual Report 2023/24

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OFFICIAL

Introduction

As the Chair of the Audit and Governance Committee, I am pleased to present this detailed report on the work of the Committee during 2023/24.

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.

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, and officers have been working hard to implement the agreed action plan which arose following the review of the Committee by CIPFA in 2022/23. This has been beneficial in ensuring 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 members and officers who support the Committee to ensure that we continue to provide independent assurance on the control environment and the governance framework, especially as the Council continues to tackle the significant financial pressures and embarks on its transformation journey.

The Committee is also looking forward to working with the newly appointed external auditors, Ernst and Young, and are confident that the detailed preparation/handover work that has taken place will ensure an efficient transition of the external audit function.

Councillor Michael Beanland
Chair of the Audit and Governance Committee



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1. 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:

- 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).
- An independent and high-level focus on audit, (internal and external) assurance and reporting arrangements that underpin good governance and financial standards.
- Independent review and focus on the adequacy of the Council's governance, risk management, and control frameworks and oversees the financial reporting and annual governance processes.

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:

[cheshire-east-council-constitution-chapter-2-updated-june-2024.pdf](#)
(cheshireeast.gov.uk)

Audit and Governance Committee Meetings:

[Browse meetings - Audit and Governance Committee | Cheshire East Council](#)

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

To help the Committee meet its responsibilities, each year, management provide training sessions for the Committee on subject areas within their remit. During 2023/24, this included induction training for substitute/new members as required through the year. Sessions were also provided to members of the Committee on internal audit, the LGO Joint Complaint Handling Code, risk management, and the statement of accounts.

2. Meetings and Membership

During the 2023/24 municipal year, the Audit and Governance Committee met on 5 occasions and was comprised of 11 members:

- Councillor Michael Beanland (Chair)
- Councillor Ken Edwards (Vice-Chair)
- Councillor Sue Adams
- Councillor Alison Heler
- Councillor Chris Hilliard
- Councillor Marilyn Houston
- Councillor Patrick Redstone
- Councillor Garnet Marshall
- Councillor Judy Snowball
- Mr Ron Jones (Independent Co-opted Member)
- Ms Jennifer Clark (independent Co-opted Member)

Councillors Mark Goldsmith and Rachel Bailey were both members of the Committee for one meeting during the year.

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 2023/24, substitute members were used on 5 occasions:

- Councillor Andrew Kolker
- Councillor Liz Braithwaite
- Councillor Lesley Smetham
- Councillor Michael Gorman
- Councillor Brian Drake

Committee Attendance statistics:

[Committee attendance - Audit and Governance Committee, 1 April 2023 - 31 March 2024 | Cheshire East Council](#)

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

- 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
- Democratic Services Officers
- External Auditors (Mazars)

3. How the Committee discharged its responsibilities during 2023/24

Key Committee Activities	June 2023	July 2023	Sept 2023	Dec 2023	Mar 2024
Governance, Risk and Control					
Received updates on the production and review of the Annual Governance Statement (as part of the Internal Audit Update Report)				•	
Received an update on Information Governance – IADM Programme		•			
Received and approved the draft Annual Governance Statement 2022/23		•			
Received and approved the final Annual Governance Statement 2022/23					•
Received the 2022/23 Monitoring Officer Report			•		
Reviewed and agreed the Audit and Governance Committee Annual Report 2022/23			•		
Considered the Annual Risk Management Report 2022/23		•			
Received a Risk Management Update					•
Received the Public Interest Report Update – External Auditor Fee Variation Proposal	•				
Received the CIPFA Review of the Audit & Governance Committee Report	•				
Received a report on Progress against CIPFA Review Actions				•	
Received a report on the Review of the Audit & Governance Committee Terms of Reference		•	•		
Received and considered the proposed Terms of Reference for the Audit & Governance Committee				•	

Key Committee Activities	June 2023	July 2023	Sept 2023	Dec 2023	Mar 2024
Internal Audit					
Reviewed Internal Audit plan progress reports and Internal Audit Charter				•	•
Received the Internal Audit Annual Report 2022/23		•			
Received and approved the Internal Audit Plan 2024/25					•
Received the Internal Audit Report on the review of land transactions in response to the Report in the Public Interest	•				
Received a report on the Section 106 Key Findings – Internal Audit Report and subsequent updates on progress against actions			•		•
External Audit					
Reviewed External Audit progress reports	•	•	•	•	
Received the External Audit Findings and Action Plan 2022/23					•
Received the External Audit – Value for Money Report			•		
Considered the Certification of Housing Benefit Subsidy Claim 2022/23 and Teachers Pensions Return 2021/22					•
Annual Statement of Accounts					
Received the 2022/23 Draft Statement of Accounts ¹	•				
Received the 2022/23 Draft Financial Statements – Wholly Owned Companies and Outturn Update 2022/23	•				
Related Functions					
Consideration of Contract Procedure Rule Non-Adherences and Waivers		•			

¹ At the March 2024 meeting, the Committee delegated authority to the S151 Officer to sign off the Statement of Accounts once the audit has concluded.

Key Committee Activities	June 2023	July 2023	Sept 2023	Dec 2023	Mar 2024
Considered the RIPA Policy and Inspection Plan Update		•			
Received a report on the RIPA Policy and Inspection Plan Update		•			
Received the Annual Procurement Update		•			
Received the Annual Complaints Report 2022/23 including Ombudsman Decision Notices where fault was found		•			
Standards Arrangements					
Received an update on Standards related matters via the Annual Monitoring Officer Report			•		
Other Matters					
Received a report on the Recruitment of an Independent Member of the Audit & Governance Committee (appointment approved by Council October 2023)		•	•		

4. 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 2022/23 AGS, the Committee reviewed and approved the draft AGS at the July 2023 meeting.

The Committee reviewed and approved the final 2022/23 AGS in March 2024 and approved the removal of the significant governance issue related to the Safeguarding Children's Partnership from future Statements.

The Committee highlighted that the CIPFA review recommended that members be given the opportunity to input into the preparation of the AGS. Officers agreed to take this recommendation into consideration once the preparation for the 2023/24 AGS began.

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 June 2023, the Committee received the report and associated action plan produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) following their review against the updated guidance 'Audit Committees: Practical Guidance for Local Authorities and Police'.

The report was presented by the CIPFA consultant who had undertaken the review and members were provided the opportunity to raise questions and discuss the proposed actions. The actions were agreed, along with a request for regular updates on progress to be reported to the Committee.

In response to the CIPFA report, in July 2023, the Committee agreed to the establishment of a politically balanced working group to review the terms of reference in response to the review of the Committee undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) against the updated guidance 'Audit Committees: Practical Guidance for Local Authorities and Police'.

The working group produced a proposed Committee terms of reference which was presented to the December 2023 Committee and recommended for adoption by Full Council. In considering the proposed terms of reference, the Committee reflected upon the proposals from Corporate Policy Committee to merge the functions of the Scrutiny Committee with Audit and Governance Committee. The Committee requested that Full Council note the Committee's concerns and defer the decision relating to the proposals as they were contrary to advice from CIPFA and the Centre for Governance and Scrutiny.

The report also recommended that an additional independent co-opted member be appointed to the Committee. In response, a recruitment panel of three Members was appointed to review applications and undertake interviews. Following completion of this process, Jennifer Clark was appointed as the second co-opted independent member of the Committee at Council in October 2023.

In December 2023, the Committee received a detailed update on progress in implementing the agreed actions and further updates have been provided in 2024/25.

During 2023/24, full Committee briefings were established to facilitate open conversations in relation to agenda items prior to the formal meeting. This allows Members to raise any questions that they may have and ensure a clear understanding of the often-complex papers being presented to them. Furthermore, post Committee debriefs are held between the Chair, Vice Chair, and key officers to reflect upon what went well and what could be improved upon.

These developments have been beneficial to the Committee which has clarity of purpose and is fully focussed on its assurance role and associated responsibilities. There is regular engagement between Members and officers in the form of training and confidential briefings on sensitive matters, which has helped to develop and build trust and support.

5. 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.

In addition to the regular internal audit items, the Committee also received a report providing assurance in relation to the arrangements for managing land transactions in June 2023. The internal audit review was undertaken in response to the Report in the Public Interest published in January 2023 and provided a 'good assurance' opinion. Members of the Committee were provided with a copy of the report which was discussed in detail as a Part 2 item. The Committee agreed that no further action was required in relation to this matter.

In September 2023, the Committee received a report detailing the key findings of an internal audit review of the management and monitoring of Section 106 agreements. The report provided a 'no assurance' opinion and highlighted that there were significant areas of risk that were not being effectively managed.

The Committee agreed that this item should be included in the AGS as a significant governance issue and requested regular updates on progress in implementing the agreed actions to improve the control environment. Furthermore, it was agreed that the Committee would write to the Chair of the Environment and Communities Committee to seek an invite for the Chair and Vice Chair of both the Audit and Governance Committee, and the Finance Sub Committee, to attend the first meeting of the Environment and Communities working group to relay their concerns. A meeting was also held between the Chairs and Vice Chairs of the three committees to agree oversight arrangements for monitoring the implementation of agreed actions.

A briefing was provided to the Committee at the March 2024 meeting setting out progress that had been made in implementing the agreed audit actions.

6. External Audit

The Audit and Governance Committee received regular progress reports from the external auditor throughout the year.

The Committee received the external audit value for money report for 2022/23 in September 2023 and the external audit findings and action plan for 2022/23 in March 2024.

It was also confirmed at the March 2024 meeting that Mazars would hand over its external auditor responsibilities to Ernst and Young for the 2023-24 audit period and that the handover procedure had commenced.

7. Annual Statement of Accounts

The Audit and Governance Committee received and reviewed the draft Statement of Accounts 2022/23 along with a presentation on the accounts by the S151 Officer. The Committee sought clarity on items in the accounts and noted the dates for the approval process of the Statement of Accounts. At the March 2024 meeting, the Committee delegated authority to the S151 Officer to sign off the 2022/23 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.

8. Related Functions

The Audit and Governance Committee received the Annual Complaints report in July 2023 which included a summary of actions from decision notices issued by the Local Government and Social Care Ombudsman.

The Committee has a 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.

The Committee received a report in July 2023 from the Director of Finance and Customer Services that provided an update on the Council's Information Assurance and Data Management (IADM) programme during 2022/23. The report outlined key aspects of the programme to provide assurance to the Committee that information continues to be treated and managed as a valued asset, with ongoing measures to protect it in line with compliance and leverage it where possible to support enhanced service delivery and optimise business benefit. The Committee was advised that following the annual end of year self-assessment, for 2022/23, a tangible increase in maturity level had been achieved with the Council moving from proactive to managed in relation to its maturity level.

9. 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 2023. The 2022/23 annual report covered areas including but not limited to the Members' Code of Conduct, register of gifts and hospitality and training and development.

10. Hearing Sub-Committee

No meetings of the Hearing Sub-Committee were held during 2023/24.

11. Audit and Governance Committee Priorities for 2024/25

There are several key areas that the Committee will need to consider and progress during 2024/25 in addition to its core business.

- 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. Work on fully implementing and embedding the actions will continue into 2024/25 which will further develop the Committee.
- At the start of 2024/25 a skills assessment has been undertaken, and an outline training and development plan agreed, which is being delivered to support the Committee's development, knowledge and understanding.
- The Committee are also focussed on the effective implementation of the agreed internal audit actions in relation to the management and monitoring of section 106 agreements. Regular updates will be provided by both the planning service and internal audit to provide assurance that the areas of identified risk are being effectively mitigated.
- The Committee are engaged with the Children and Families committee to receive assurances over its plan to develop an effective SEND (Special

Educational Needs and Disabilities) Policy and management of the DSG (Dedicated Schools Grant) deficit.

- The Committee are to consider a further health check report on Unit4 and the lessons learnt from its implementation.
- Seek to implement Committee training in conjunction with our incoming external auditors, Ernst & Young, to improve the Committee's understanding of their scope of work.
- Receive ongoing assurance on the process of closure of the Council's wholly owned companies and service delivery of these functions will continue.
- Support the review and refresh of the Council's arrangements for raising concerns/whistleblowing, resulting in an updated policy and wider communication and engagement of the arrangements.
- The Committee have raised concerns about the level of understanding within service committees in relation to scrutiny and the role that members play in ensuring that this is effective. A request has been made for training to be delivered to all members to address these concerns.
- The Committee will seek to understand the Council's Transformation Programme, its impacts and any implications this may have for the Committee in relation to governance, risk, and financial control.
- The Committee has previously considered a review of vacancy rates across the organisation and suggested that in addition to this, each service should be provided with an analysis of the impact of vacancies in their area for example, any detrimental effects, total number of agency staff, and overall savings from vacancy freezes.
- The Committee has an ongoing interest in financial controls and will consider how the effectiveness of these controls can be reported to them.