

Internal Audit – Assurance Report Procurement Controls

Report Status: Final
Report Date: 7 January 2021
Prepared by: Michael Todd - Acting Internal Audit Manager

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Final Report Owner:

- Lorraine O'Donnell, Chief Executive

Preface

This report deals solely with changes in working practice from an organisational perspective. The report does not consider the role of any individual, company or entity. It is not the purpose of the report to make any comments or observation on any individual, company or entity.

The report provides observations and assurances from an audit perspective relating to the current functioning of Cheshire East Council and the level of assurance that can be given at October 2020 based on the findings of testing undertaken.

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Background

- 1.1. In August 2015 Cheshire East Council received whistleblowing referrals regarding the award of contracts. The referrals raised concerns around preferential treatment in the award of contracts and a bullying culture within parts of the Council. Similar concerns were also raised anonymously through correspondence with two local MPs, the external auditor and the Council's then Mayor.
- 1.2. Concerns raised by whistleblowers are subject to an initial amount of testing to substantiate the concerns being shared and determine the appropriate route for further investigation. The nature of the concern raised will determine how this testing is undertaken.
- 1.3. In the case of the referral received in August 2015, senior members of the Council's Internal Audit team undertook testing of the concerns which had been raised and incorporated this into a procurement audit which was already ongoing as part of the 2015/16 Internal Audit plan. Enquiries were made at the time with the External Auditors (Grant Thornton) who agreed that Internal Audit would progress their work, before the External Auditors would consider the issue within the scope of their reporting powers.
- 1.4. The Audit and Governance Committee were advised in December 2015 that Internal Audit had been commissioned to carry out this review of procurement arrangements, which would be reported back to the Committee in March 2016.
- 1.5. Later that month, Cheshire Police commenced an investigation into allegations of misconduct in public office as a result of information received about Cheshire East Council and the award of contracts. Internal investigations were required to cease at this point and the work of the External Auditors was also paused.
- 1.6. In 2017/18, with the agreement of Cheshire Police, Internal Audit undertook a review of Procurement activity. The Terms of Reference for this piece of work were designed to provide assurance on improvements in the control environment which had been made since 2015, without compromising the Police investigation which remained ongoing at that time. The review provided a satisfactory assurance opinion and the findings of this audit were shared with the Council's Audit and Governance Committee in [July 2018](#).
- 1.7. In June 2018, upon completion of their investigation into the allegations of misconduct in public office, the

Police handed their file to the Crown Prosecution Service (CPS) for consideration.

- 1.8. On 12th June 2020, Cheshire Police announced that the Crown Prosecution Service had advised that “although there were issues in relation to procurement, there was insufficient evidence to provide a realistic prospect of conviction against any individual.”
- 1.9. At the same time, Cheshire Police announced that a separate investigation into grant funding for a primary school car park had concluded, with no further action to be taken. Five other allegations referred to Cheshire Police by Cheshire East Council remain under investigation. Grant Thornton is holding the audit certificate open on a number of years in relation to ongoing matters.
- 1.10. During the time from the initial concerns being raised, to the CPS decision announcement, there have been considerable changes in senior management posts, and the political leadership of the Council.
- 1.11. Lorraine O’Donnell, took up the post as Cheshire East Council’s Chief Executive in March 2020 and requested a health-check be undertaken in relation to this matter to seek assurance on current arrangements, ensure all necessary improvements

have been undertaken, and consider whether further actions are required.

- 1.12. This work has been undertaken by Internal Audit and this report presents the findings, recommended actions for improvement and an opinion on the effectiveness of the arrangements in place to manage procurement and the risks associated with it.
- 1.13. The outcome of this work will also be used by Grant Thornton (GT) as part of their considerations with regards to the outstanding audit certificate for 2015/16 under the Local Audit and Accountability Act 2014. Whilst the Council’s review will be taken into account, the work of GT will be undertaken in accordance with their own powers and consideration and their report will not be constrained to the scope of this review.

2. Scope of Review

- 2.1. The objective of the exercise was to undertake a review of the contract awards identifying weakness in the design of the relevant processes and procedures as they operated at the time, and provide assurance on whether the processes now in operation would prevent or detect non-compliance, and at what stage, recognising the substantial changes to process and culture introduced since 2015.

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2.2. Although reasonable assurance can be drawn from these findings it is never possible to give complete assurance that all issues have been uncovered, as we are unable to test every transaction

2.3. The review concentrated on the procurement element of the situation and has not examined the initial decision to commence a pilot in this area or the supporting documentation. However, the use of pilots is being considered by Internal Audit as an area for further work.

3. Key Findings

3.1. In October 2014, 6 invoices were passed to the Procurement Team, via senior management, relating to work undertaken in primary schools to provide fitness classes to pupils. In addition to arranging payment of the invoices, Procurement were instructed to progress the procurement of a longer-term arrangement.

3.2. Enquiries undertaken prior to processing the invoices identified that a trial of the activities had taken place at 2 schools in June 2014. Following this, the Council wrote to Cheshire East primary schools in September 2014 inviting them to take part in a pilot scheme. The letter also indicated that Cheshire East would be funding the scheme.

3.3. Following some discussion with Children's Services around the appropriateness of the Council commissioning services of this nature it was agreed that the invoices would be paid but that a WARN (Waiver and Record of Non-Adherence) form would be required to formalise the arrangements.

3.4. A WARN is the means by which the Council record and authorise waivers and breaches of the Contract Procedure Rules:

- It allows prior authorisation of the Contract Procedure Rules to be waived under certain circumstances. For example, where it is not possible to obtain the required number of quotations.
- It allows the retrospective authorisation of a breach of the Contract Procedure Rules whilst acknowledging that appropriate steps have been taken to prevent the situation from occurring in future.

3.5. Completion of a WARN form required signatures from the following officers:

- the relevant Decision Making Officer
- the relevant Head of Service
- the Monitoring Officer
- Chief Operating Officer as Section 151 Officer

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- Legal and Finance officer comments

3.6. The following actions were progressed by Procurement and Business Support:

- The provider was set up as a new supplier.
- The service requested that a requisition be raised amounting to £20,000 with the requisition description of “*Improving the fitness of children across Cheshire East Schools*”. In approving the requisition, the Procurement Officer recorded on Oracle that the procurement had been requested without competition and therefore a WARN was required.
- Checks were undertaken to ensure that the invoices were accurate, and all billed services had been delivered.
- A draft WARN was produced to recognise the non-adherence to Contract Procedure Rules.

3.7. The draft WARN was produced on 30 October 2014 to provide a fitness programme in schools between 1 June 2014 and 31 March 2015. This was recorded as a non-adherence and was signed by Procurement as “*a retrospective record of non-adherence which is duly noted*” on 6 November 2014. However, the WARN was not completed and remained unsigned.

3.8. The failure to approve the WARN means that the non-adherence to Contract Procedure Rules was not authorised and the invoices should not have been paid. Furthermore, whilst a completed WARN would have authorised payment of the invoices for work already completed, there was no contract in place and therefore a waiver was also required for the direct award of a contract to undertake the pilot.

3.9. On 29 January 2015, Procurement were approached by the service to arrange a procurement exercise for the provision of a Child Powered Physical Activity Programme. This is in accordance with agreed procedure and a Procurement Engagement Form was submitted in support of the request.

3.10. The procurement exercise was undertaken via The Chest which is the Council’s electronic tendering system and 13 bids were received.

3.11. There is evidence that the provider of the pilot scheme received assistance from Council officers in relation to registering on The Chest.

3.12. On 20 February 2015, the requisition for £20,000 was increased by £9,000 to take into account increased costs. These costs are believed to be in relation to

insurance cover which the provider was required to have and had not previously been in place.

3.13. The procurement exercise also ended on 20 February 2015 and the quality element of the submissions were forwarded to two officers within the commissioning service for evaluation in accordance with normal procedures.

3.14. The evaluation process does not appear to have been straight forward with queries raised by Procurement around the allocation of scores which were dismissed by the service. There was also some difficulty in evaluating the price element of the submissions on a like for like basis and several clarifications were issued to bidders via The Chest.

3.15. On 11 March 2015, following receipt of clarifications from bidders, Procurement produced a set of evaluation scores based upon price and quality. This ranked the provider at fifth overall out of 13 bidders.

3.16. There is evidence of this outcome being challenged by senior managers and a meeting was held to discuss the award of the contract. Notes of this meeting provide details of the following outcomes:

- Pricing varied so unable to evaluate like for like

- Various methods of analysing the pricing were attempted but due to it being too varied across the supplier base it was agreed that the tender would be abandoned.

- Pilot to be extended to allow sufficient time to evaluate the service and market to inform the specification.

- WARNs to be drafted.

- Soft market questions to be developed and sent to potential suppliers.

- Understand what is already supplied in schools.

- Tender to be started September – November 2015.

3.17. The following day, a notification was posted on The Chest stating that the tender process had been withdrawn because 'it was not possible to evaluate the pricing of submissions received from bidders fairly'.

3.18. On 13 March 2015, an officer from the Communities service produced a draft grant agreement between Cheshire East and the provider for the provision of two projects; Extension to Pilot in Schools, and Community Wellbeing Pilot in Community Hubs. The grant was valued at £115,000.

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- 3.19. The draft agreement was passed to Legal Services who raised concerns about a grant being awarded rather than the services being provided under a contract. Legal advice further recommended that a direct award may be possible via a WARN if there was only one provider.
- 3.20. This is an example of a control operating effectively as Legal Services prevented a breach of the Contract Procedure Rules.
- 3.21. The process for producing a WARN to approve a waiver of the Contract procedure Rules was commenced on 9 April 2015 and approved on 29 April 2015 although Procurement Manager sign off and finance/legal comments were sought retrospectively.
- 3.22. Although this WARN seeking approval to waive competition requirements was authorised, there are several issues with the content and way it was completed:
- Guidance states that the WARN should not be completed prior to the Procurement Manager agreeing to the action.
 - The WARN states that a short-term funding opportunity became available and a decision taken to extend the pilot so that a comprehensive evaluation could take place. It makes no reference to the aborted tendering exercise.
- The Partnerships Give Back Grant is referenced as a funding source. However, the grant scheme had agreed and published funding criteria which do not appear to cover initiatives of this nature.
 - It subsequently transpired that a contract for an extension of Pilot for Schools and Communities was issued on 13 March 2015. This was signed by the provider on 19 March 2015 and by the Council on 20 March 2015.
- 3.23. This contract was therefore entered into without the appropriate authority to waive the Contract Procedure Rules and a record of non-adherence should have been completed.
- 3.24. An invoice for £30,000 was received from the provider on 27 March 2015 relating to the extension of the pilot for an initial payment to enable set up and recruitment of staff including advertising costs and training.
- 3.25. This invoice was not paid until 29 April 2015, the same day that the WARN was approved. However, it would appear unusual that a direct contract award would be made to a company that required over 25% of the

contract value to be paid in advance to enable the recruitment and training of staff.

3.26. On 5 May 2015 an officer from Communities contacted the Procurement team and provided them with a signed contract for a Mental; Health and Wellbeing Pilot and a draft WARN to authorise the direct award to the same company.

3.27. Neither Procurement nor Legal Services had previously been consulted on this matter. Had that advice been sought, this could have been dealt with via a contract modification which was allowable under Contract Procedure Rules.

3.28. As a result of a failure to seek advice from Legal Services and Procurement, the actions of the Communities service constituted a breach of the Council's Contract Procedure Rules and a WARN for a non-adherence was subsequently produced.

3.29. The WARN approving the non-adherence was approved on 26 May 2015. The comments on the WARN recognised the failure to consult with Procurement and Legal Services along with the fact that had the service done so the actions could have taken place as a modification to the existing contract.

3.30. Around 25 June 2015, discussions commenced with regards to extending the scope and value of the contract to include a Community Hub advisory role. This increased the value of the contract by £23,000 and was allowable as a modification under the Contract Procedure Rules and therefore no WARN was required.

3.31. The Modification Request Form was authorised on 27 July 2015. However, a letter was issued to the provider on 30 June 2015 informing of the proposed modification and returned confirming acceptance on 15 July 2015. Therefore, the proposed modification was communicated and agreed prior to authority being granted for it to take place.

3.32. During a meeting between the commissioning service and the provider on 11 August 2015, concerns were raised in relation to an absence of DBS checks, the absence of defined escalation routes for issues identified during the mental health and wellbeing sessions and general parental consent for the physical activities. Actions were agreed during the meeting to address the concerns.

3.33. On 16 September 2015 the Council issued a notice of material breach of contract in relation to both the extension of pilot for schools and the mental health and

wellbeing pilot which referenced the issue discussed at the above meeting.

3.34. Two days later, the Council issued the provider with a notice of termination of both contracts.

3.35. Work was undertaken following the termination of the contract to ensure that upfront payments made to the provider relating to services yet to be delivered were identified and returned to the Council.

3.36. The series of events described above demonstrate a failure of control in relation to the application of Contract Procedure Rules brought about in the main from management override of those controls.

3.37. Further weakness would appear to have existed in the evaluation and letting of contracts.

3.38. It is of concern that the repeated WARN forms detailing non-adherence to Contract Procedure Rules did not appear to raise concern with the officers who were responsible for their approval, and that there was no independent scrutiny of the circumstances that led to breaches of these rules or situations whereby their application was waived.

3.39. It should be noted that the use of WARNs within the Council was widespread at this time which may have

had the effect of normalising their use and thus reducing the level of scrutiny and challenge attached to them. During 2014/15 a total of 82 WARNs were approved which comprised 20 non-adherences and 62 waivers.

3.40. Work undertaken within the Council following the receipt of the whistleblowing referrals highlighted that this was an issue and in response, Audit and Governance Committee requested that all WARNs be presented to them at the December 2015 meeting of the Committee. This arrangement which provides independent overview and challenge to the process, commenced at the March 2016 meeting and remains in place.

3.41. The use of WARNs has seen a significant decrease since 2014/15:

WARNs	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Apr 20-Sept 20
Non-Adherence	24	25	33	10	5	1	2
Waiver	81	45	40	20	16	17	20
Total	105	70	73	30	21	18	22

3.42. It should be noted that the slight increase in 2016/17 was due to 16 WARNs relating to ICT as a result of

CoSocius coming back in house. The high level of Waivers since April 2020 is due to 10 required to facilitate the Council's response to Covid-19.

- 3.43. There are various reasons for this significant decrease since 2014/15 including an increased awareness of the importance to properly plan procurement exercises as a result of the publicity around the police investigation.
- 3.44. However, the key reason is improved contract management arrangements that were introduced by Procurement and promoted by senior management in response to the issues identified in response to the whistleblowing referrals.
- 3.45. With regards to the WARNs process, this was centralised to provide control to Procurement rather than services who were previously responsible. This ensured a consistent approach and better governance and oversight.
- 3.46. The WARN process has been subject to testing as part of this review and this has confirmed that all WARNs raised during 2019/20 and 2020/21 have been completed, are appropriate and have all been reported to Audit and Governance Committee.
- 3.47. It was noted, however, that the final authorisation of several WARNs appeared to have taken place after the

contract start date. Further enquiries identified that the contracts were actually dated after the approval but the WARN log had not been updated to reflect the actual start date.

- 3.48. Although Internal Audit are satisfied that this area is now subject to robust controls, testing has identified a weakness in the system with regards to the numbering of WARNs. Currently the log includes waivers, non-adherence, contract extensions and contract modifications.
- 3.49. As Audit and Governance Committee only receive reports on the first two categories it would be difficult for Members to identify where a WARN may be missing. As such it is recommended that from 1 April 2021, modifications and extensions are recorded separately.
- 3.50. It was also noted that although the constitution and the service guidance documents are explicit in stating that "*any non-adherence with these Rules is a breach of the Officer Code of Conduct / Member Code of Conduct and could result in disciplinary action being taken against them*" the guidance available on Centranet and the WARN form do not make this clear.

- 3.51. As such, it is recommended that the appropriate documents are updated to ensure that officers are made aware of the potential consequences of significant or repeated breached of Contract Procedure Rules.
- 3.52. The recent review of current procedures sought to identify ways in which it may be possible to arrange a contract without the appropriate approval and competitive tender process. This identified that any requisition raised in excess of £5,000 requires electronic approval by Procurement prior to it being approved.
- 3.53. Upon receiving notification of a requisition, contact is made with the service to determine whether a contract is in place, how it was procured and whether there has been a breach of Contract Procedure Rules. On the few occasions where this is the case, the requisition is not approved until the WARN has been approved which prevents any unauthorised payments from being made.
- 3.54. The review identified the potential for numerous requisitions of less than £5,000 to be processed and sought assurance as to how this risk is managed. This has been identified and to mitigate this risk, Procurement run regular reports on spend below this threshold and the results are analysed to identify suppliers with multiple payments. Similar reports are also produced to analyse spend on purchase cards.
- 3.55. Contract Procedure Rules require all procurements over £10,000 to be subject to a Contract Risk Assessment which is undertaken by members of the Procurement team and ensures that the Contract Register is updated at the earliest opportunity. For contracts between £10,000 and £25,000 the service is responsible for evaluating quotations and appointing the most appropriate supplier whereas for contracts above this amount, Procurement oversee the process.
- 3.56. Additional testing is currently being undertaken to ensure that all contract awards below £25,000 during 2019/20 and 2020/21 have been subject to appropriate evaluation and are supported by documentary evidence to support the decision taken. This work has also been extended to test a sample of contract awards in excess of £25,000 which are controlled by Procurement rather than the commissioning service and will be subject to a separate audit report.
- 3.57. The review has also confirmed that detailed guidance is available to officers on CEntranet which provides a step by step guide through the procurement lifecycle and offers advice and training to officers who need

additional support in undertaking procurement exercises.

- 3.58. As previously stated, the review has identified that management override of control played a significant part in the circumstances that led to the whistleblowing referrals and subsequent police investigation.
- 3.59. Typically, this behaviour is linked to the culture of an organisation and may only come to light if someone feels strongly enough to raise concerns.
- 3.60. Concerns around the culture of Cheshire East and allegations of bullying were raised as part of the whistleblowing referrals in 2015 and significant efforts have been made by the organisation to address these issues.
- 3.61. In October 2017, an external independent culture review was jointly commissioned by the then Leader and the then Acting Chief Executive. This review was undertaken by the Local Government Association (LGA) during November and December 2017.
- 3.62. The purpose of the review was to provide an objective assessment of the culture of Cheshire East Council at that time, identifying positive aspects to build on, and identifying areas for change and improvement. The review had particular regard to an ongoing perception

of significant issues relating to bullying and harassment.

- 3.63. The LGA's report was published by the Council in [January 2018](#) with the recommendations of this report progressed as part of the Brighter Future Together (Culture) Programme, initially with the support of an external partner.
- 3.64. The Brighter Future Community was established as a key aspect of the Programme to facilitate engagement between staff and the Council. Brighter Future Champions (staff volunteers) continue to provide a key link for the engagement, feedback and development for our workforce. A cross party Member Forum was also established, with responsibility for shaping the new member culture and role-modelling the desired behaviours
- 3.65. A key aspect of the Brighter Future Culture Programme was the creation of the workplace vision, values and behaviours and employee deal. These outline the core values and behaviours for staff, managers and Members of Cheshire East Council.
- 3.66. Key aspects of the workplace vision of relevance for this report are:

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- We are supported and well led; Ultimately, we feel free to speak and safe to act
- We are treated fairly and highly valued; Our concerns are listened to and where action is required – we act on it.

3.67. These two aspects of the workplace vision are particularly critical to the ongoing commitment of staff and Members to creating and maintaining a supportive, constructive and open environment where issues, concerns and questions can be raised and discussed without fear of negative consequences.

3.68. The Programme made regular updates to the Council's Staffing Committee throughout the development of the Culture Programme and has continued to receive regular updates on the work of the programme as it embeds and develops. Staffing Committee receive regular performance information in relation to key areas such as attendance management, staff turnover, and exit interviews.

3.69. Feedback from staff was also sought as part of "The Big Conversation" staff survey. The actions which are taken in response to issues raised in the survey are shared with staff and Members.

3.70. The Council also appointed the whistleblowing charity, Protect, (then known as Public Concern at Work

(PCaW)) to deliver additional whistleblowing support to complement and undertake a review of its current arrangements.

3.71. In March 2018, the Audit and Governance Committee considered a report on the outcome of the review of the Council's Whistleblowing Policy and arrangements.

3.72. Protect carried out a desk based review of the current policy, procedures and supporting documents and had produced a RAG rated report with recommendations and an action plan for improvement. In recognition of the comments and feedback on the length of the existing policy, the potential for mixed messages and the benefits of a uniform definition of whistleblowing, a revised Whistleblowing Policy, based on the model policy provided by Public Concern at Work, was brought to the Committee for approval.

3.73. Additional communication and training for Managers who may receive a referral has been carried out since the updated policy was introduced. The Audit and Governance Committee receives updates on whistleblowing as part of the Annual Monitoring Officer's reports.

3.74. It is therefore important that staff and Members have confidence in the Council's whistleblowing

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arrangements and are aware of how to make a referral. Although information is available on CEntranet and several positive comments have been received in relation to the clarity of this information, it is vital that the policy and arrangements are subject to regular publicity.

- 3.75. It is therefore recommended that awareness of the whistleblowing policy is raised through Team Voice and briefings to Departmental Management Teams for cascade to individual teams.

4. Conclusion and Opinion

- 4.1. The review concluded that whilst the control environment at the time could have been more robust and has been improved since these issues were raised, the situation which arose was not due to an absence of control, but rather as a result of a widespread failure to follow due process and the Council's Constitution.
- 4.2. The culture of the Council at that time indicates collective behaviour that anticipated desired outcomes. The desire to achieve an anticipated outcome resulted in the acceptance of behaviour which modified safeguards to achieve that which had been anticipated.

- 4.3. Where systematic management override of control at a senior level within an organisation takes place, this reflects poorly on the culture and often the only way for concerns to be raised is through a robust whistleblowing process. This is ultimately how this matter came to light.

- 4.4. Significant steps have been taken by Cheshire East to create a positive and inclusive culture within the organisation where colleagues treat each other with respect and individuals feel empowered to call out negative behaviour. This is supported by an established whistleblowing policy that is in line with best practice and subject to regular review.

- 4.5. The current culture actively discourages deviation from due process through clear behavioural values, additional transparency through reporting to a cross party Audit Committee where members can raise concerns, and the reinvigorated whistleblowing policy.

- 4.6. It is clear from the work undertaken that the Procurement Lifecycle is now subject to far more stringent controls and monitoring, which coupled with the organisational changes brought about by the Culture Review would make it far more difficult for such a situation to unfold in the manner it did.

- 4.7. The combination of these factors provides assurance that the same behaviours are less likely to occur and if these behaviours reoccur, they are more likely to be identified and challenged.
- 4.8. However, the possibility should not be dismissed, and it should be recognised that regardless of how robust a control environment is within an organisation, the opportunity for senior managers to facilitate the override of control remains a risk. As such it is essential that Cheshire East continues to operate an effective whistleblowing process that signposts whistleblowers to appropriate contacts outside of the Council should they feel unable to raise their concerns internally.
- 4.9. With regards to the current control environment it is concluded that the controls in place to manage procurement are operating effectively and take account of the associated risks with this activity.
- 4.10. Internal Audit use a formal opinion system, details of which are given in Appendix C. Based upon the findings and actions raised, a **Satisfactory** assurance opinion has been given.

Satisfactory Assurance:

Testing has shown that controls are adequate to address the risk identified in the terms of reference. Testing has shown that there are some inconsistencies in the application of controls.

- 4.11. In line with our Audit Charter, the agreed action plan will be subject to a follow up review to provide assurance that recommended actions have been implemented.

Appendix A – Action Plan

	Finding	Implication	Recommended Action	Priority
1	<p>The WARN log includes waivers, non-adherences, contract modifications and contract extensions and is numbered sequentially.</p> <p>Audit and Governance Committee receive regular reports relating to waivers and non-adherences, but these do not include the modifications and extensions.</p> <p>As such, the WARN numbers reported to Members are not sequential.</p>	<p>Unreported WARNs may not be identified and challenged.</p>	<p>The WARN log should be updated to ensure that waivers and non-adherences are numbered sequentially to ensure that Members are able to identify any WARNs that are missing or reported out of sequence.</p>	Medium
Management Response				
<p>Agreed: Yes Responsibility: Procurement Manager Target Date: 1 April 2021 If no, please provide further details: n/a</p>				
	Finding	Implication	Recommended Action	Priority
2	<p>Testing identified that where the commencement of a contract subject to a waiver had been delayed pending authorisation, the Contract Start Date field in the WARN log was not always updated to reflect this.</p> <p>This gave the impression that waivers were authorised after the start of the contract which is not accurate.</p>	<p>Inaccurate records may erode the level of assurance provided by them.</p>	<p>The WARN log should be reviewed to ensure that all contract start dates are accurate.</p> <p>Officers should be reminded of the importance of ensuring that the log is accurate and up to date.</p>	Medium
Management Response				
<p>Agreed: Yes Responsibility: Procurement Manager Target Date: 1 December 2020 If no, please provide further details: n/a</p>				

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Appendix A – Action Plan

	Finding	Implication	Recommended Action	Priority
3	Although information relating to the Council's Whistleblowing Policy and how to raise or respond a concern available on Centranet, and several positive comments have been received in relation to the clarity of this information, it is vital that the policy and arrangements are subject to regular publicity.	If staff are unaware or unsure of an organisation's arrangements for whistleblowing, they may be unable or unwilling to raise concerns resulting in a failure to identify and address breaches of control.	Awareness of the Council's whistleblowing arrangements should be maintained via regular Team Voice articles and briefings to Departmental Management Teams for cascade to officers.	Low
Management Response				
Agreed: Yes Responsibility: Director of Governance and Compliance Target Date: 31 March 2021 If no, please provide further details: n/a				

	Finding	Implication	Recommended Action	Priority
4	Although the constitution and service guidance documentation are explicit in stating that " <i>any non-adherence with these Rules is a breach of the Officer Code of Conduct / Member Code of Conduct and could result in disciplinary action being taken against them</i> " the online guidance and form do not make this clear.	Officers may be unaware of the possible consequences of significant or repeated breaches of Contract Procedure Rules.	Guidance published on Centranet around the completion of WARNs and the WARN form should be subject to review and update to ensure that officers are aware that failure to comply with Contract Procedure Rules could result in disciplinary action being taken.	Low
Management Response				
Agreed: Yes Responsibility: Procurement Manager Target Date: 31 March 2021 If no, please provide further details: n/a				

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Appendix B – Audit Opinion and Priority Rating for Individual Findings

Audit Opinion

An overall opinion on the control environment will be given on completion of the audit work. This opinion relates only to those risks identified or systems tested. Where the audit opinion given is either limited or no assurance, consideration will be given to including those areas in the Annual Governance Statement.

There are four possible opinions: good assurance, satisfactory assurance, limited assurance, and no assurance.

The following table explains the various assurance levels in terms of the controls in place and how testing has shown them to be operating. It also gives an indication as to the priority rating of recommendations you might expect at each assurance level, although please note this is for guidance only as the final opinion lies at the discretion of the Auditor.

Assurance Level	Explanation
Good Assurance	Controls are in place to mitigate against the risks identified in the terms of Reference. Testing has shown that controls are working effectively and consistently to ensure that key risks are well managed. No high level recommendations have been made although there may be a small number at medium level. Some changes in the control environment may be beneficial to enhance performance and realise best practice.
Satisfactory Assurance	Controls are adequate to address the risks identified in the terms of reference. Testing has shown that there are some inconsistencies in the application of the controls, and attention is needed to improve the effectiveness of these controls. Recommendations will normally be no higher than medium level.
Limited Assurance	Controls are either not designed to mitigate the risks identified in the terms of reference, or testing has shown there to be significant non-application of controls. There are likely to be a number of high priority recommendations and/or a large number at the medium level. Attention is needed to improve the quality and effectiveness of the control environment in order to ensure key risks can be managed well.
No Assurance	There is an absence of controls to mitigate against the risks identified in the terms of reference. The majority of recommendations made are high priority, and key risks are not being properly managed. Urgent attention is required by management to improve the control environment. This area may be considered for inclusion in the organisation's Annual Governance Statement. It may also be appropriate for this area to be included in the sections/directorate Risk Register, and for the action plan to address these fundamental weaknesses to become part of the Service Delivery Plan.

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Appendix B – Audit Opinion and Priority Rating for Individual Findings

Priority Rating for Individual Findings

Every audit finding and supporting recommendation will be rated in line with the criteria shown below. Timescales for necessary actions will be discussed with service managers, but the broad expectations for consideration and implementation are outlined below.

Priority	Explanation		
	Risk	Controls and Testing	Timescale
High	<p>Action is required to mitigate against a risk which is assessed as likely to arise and having a high impact should it do so.</p> <p>A fundamental risk may involve failure to:</p> <ul style="list-style-type: none"> • Meet key business objectives • Meet statutory objectives • Adhere to Cheshire East policies • Prevent fraud or material error 	<p>Controls to mitigate risks identified in the terms of reference are either absent or poorly designed.</p> <p>Testing has shown that controls are significantly failing to work as intended.</p>	<p>This action needs immediate consideration by management.</p> <p>Implementation of necessary actions may take longer, but an action plan to address the issues should be developed immediately.</p>
Medium	<p>Action is required to mitigate against a risk which is assessed as being likely to arise OR having a significant impact if it should arise.</p>	<p>Controls to mitigate risks identified in the terms of reference are in place.</p> <p>Testing has shown that controls are working as intended, with some minor inconsistency.</p>	<p>This action needs to be considered by management within 3 months.</p> <p>Implementation of necessary actions may take longer, but an action plan to address the issues should be developed within 3 months.</p>
Low	<p>Action is required to mitigate against a risk which is assessed as having a low impact or being unlikely to arise.</p> <p>Implementation of these actions will further strengthen internal control and improve potential for achieving best practice.</p>	<p>Controls to mitigate risks identified in the terms of reference are in place.</p> <p>Testing has shown that the controls are being applied consistently and effectively.</p>	<p>This action needs to be considered by management within 6 months.</p> <p>Implementation of necessary actions may take longer, but an action plan to address the issues should be developed within 6 months.</p>

OFFICIAL