

Annual Report of the Audit and Governance Committee 2021/22

DRAFT
(May 2021 - April 2022)

Working for a **brighter future** together



OFFICIAL

Foreword by the Chair of the Audit and Governance Committee

As Chair of the Audit and Governance Committee for the year in review, I am pleased to present this detailed report on the work of the Committee over 2021/2022.

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 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.

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 Margaret Simon

Chair of the Audit and Governance Committee 2021-22

September 2022

1. Introduction to the Audit and Governance Committee

Governance is defined in the “Delivering Good Governance in Local Government: Framework” (CIPFA/SOLACE 2016) as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.

Audit Committees are therefore an essential element of good governance. Good corporate governance requires independent, effective assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

These functions are best delivered by an Audit Committee independent from the decision making and scrutiny functions.

Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

2. Audit and Governance Committee - Statement of Purpose

The Audit and Governance Committee is a key component of the Council’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

It provides independent review of the Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

It promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

The Audit & Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its terms of reference which can be found in the Council's [Constitution](#).

Meetings of the Audit & Governance Committee were held on the following dates during 2021/22:

- 27th May 2021
- 30th September 2021
- 25th November 2021
- 17th January 2022
- 10th March 2022

More information on the Audit & Governance Committee Meetings, including agendas, minutes and attendance details is available [here](#).

3. Governance, Risk and Control within Cheshire East Council

Reports have been received by the Audit and Governance Committee in the following areas, providing assurance and updates on the Council's governance, risk and control framework over the past year.

Internal Audit

Meeting	Reports received
30 September 2021	Internal Audit Annual Report 2020/21
25 November 2021	Internal Audit 2021/22 Plan Progress Update
10 March 2022	Internal Audit Plan 2022/23

External Audit

Meeting:	Reports received:
27 May 2021	External Audit Strategy Memorandum
30 September 2021	External Audit Update Report
25 November 2021	Annual Audit Letter 2020/21 and Certification Report to report on progress
17 January 2022	Annual Audit Letter 2020/21 and Certification Report
10 March 2022	External Audit Progress and Update Report

Risk Management

Meeting:	Reports received:
30 September 2021	Annual Risk Management Report 2020/21
25 November 2021	Risk Management Update
10 March 2022	Risk Management Update – Strategic Risk Register (Q3)

Corporate Governance & Annual Governance Statement (AGS)

Meeting:	Reports received:
30 September 2021	Annual Monitoring Officer Report 2020/21
25 November 2021	Annual Governance Statement 2020/21 Audit and Governance Committee Annual Report 2020/21
17 January 2022	Annual Governance Statement 2020/21 - Progress Update Partnerships Governance

Accounts & Financial Statements

Meeting:	Reports received:
30 September 2021	Draft Pre-Audit Statement of Accounts 2020/21
25 November 2021	Statement of Accounts 2020/21
17 January 2022	Statement of Accounts 2021/22

Information Governance

Meeting:	Reports received:
30 September 2021	Annual Information Governance Update 2020/21

4. Effectiveness of the Committee

In November 2020, a working group was established to consider the future composition and structure of the Audit and Governance Committee, and in particular:

- Review the structure and size of the Committee in line with the recommendations from the Corporate Peer Review and the CIPFA guidance and make recommendations as needed,
- Review the number of co-opted independent members and make recommendations for changes as needed,

- Identify any other associated recommendations arising as a result of the move to the Committee structure.

The Committee received reports in January and March 2021 which recommended the Committee should be reduced to 9 elected members and 2 co-opted independent members.

To minimise conflicts of interest arising as the Council moved to a Committee system of decision making, it was also recommended that membership should not include the Leader and Deputy of the Council, Chairs or Vice Chairs of the service committees and that the Chair and Vice Chair of the Audit and Governance Committee should not sit on a service committee.

A draft Terms of Reference (ToR) was presented, and both the composition and ToR were approved by Committee in March 2021 and Full Council in April 2021. The first meeting of the Audit and Governance Committee under the new ToR and composition was held in May 2021.

In March 2022, the Committee received an update on the appointment of co-opted members and a recommendation from the appointments panel. It was recommended that:

- The co-option of the first Independent Member and the appointment of 2 Independent Persons to the Committee for a period of 4 years under the Localism Act 2011 be recommended to full Council, and;
- The remaining co-opted Independent Member vacancy be re-advertised using the same process and member panel.

The co-option of the first Independent Member, Mr Ron Jones, and appointment of the 2 Independent Persons was subsequently approved by Council in April 2022. Mr Jones attended his first meeting in May 2022.

The Committee regularly undertakes a formal review of its own effectiveness. against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2018. This was last undertaken during 2020/21.

Due to the work undertaken to review and update of the Committee's ToR during 2021/22, a formal review of the Committee's effectiveness was not undertaken. However, CIPFA has been engaged to undertake an independent review during 2022/23. Furthermore, it is acknowledged that CIPFA is to release the 2022 edition of 'Audit Committees: Practical Guidance for Local Authorities and Police' later in 2022.

The Committee has continued to provide challenge and feedback to the reports received.

5. Additional Assurance

Additional assurance work requested by the Committee has been provided around ongoing issues including:

Covid-19 Updates on Response, Recovery and Financial Impact

In May 2021 the Committee considered the Annual Report of the Council's COVID-19 Response and Recovery, which was subsequently considered at the meeting of Cabinet on 4 May 2021.

A report to Committee in January 2022 set out the ongoing implications of COVID-19 and Cheshire East Council's response. The report was retrospective and had previously been presented to Corporate Policy Committee. The finance, risk and governance elements of the report were of concern to this Committee.

Ombudsman complaints and lessons learnt

The Committee received regular update reports detailing the decision notices received by the Council from the Local Government Ombudsman and Social Care Ombudsman. The detailed reports provided the Committee with information on those decision notices which concluded that there had been maladministration causing injustice.

The Committee considered what reassurances could be implemented and it was agreed, as part of the Action Tasks, that a consolidated report of upheld complaints would be compiled to help identify themes and trends. Each theme would be considered in order to recognise lessons learned and seek assurance that improvements would be made, and the reputation of the Council would not be damaged.

Reporting of all WARNs's (Waiver and Record of Non-adherence)

The Audit and Governance Committee has a key role in overseeing governance arrangements and requirement to review all approved WARNs. The WARN process forms part of the Contract Procedure Rules (CPR's) which are intended to promote good procurement and commissioning practice, transparency and clear public accountability.

Since June 2016, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered as part two, following exclusion of press and public from the meeting pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

Standards Responsibilities

The Committee received a verbal update in September 2021 relating to the Councillor Code of Conduct. The Director of Governance and Compliance provided an update on the work of the Councillor Code of Conduct Working Group and the progress with consideration on whether to adopt the LGA model Code of Conduct.

In March 2022 the Committee received a report providing a summary of Member Code of Conduct complaints and associated investigations involving elected members of Handforth Parish Council. This report recommended that the Audit and Governance Committee Working Group considered any consequential amendments to the Code of Conduct arising from the report.

The Working Group continued to meet through 2021/22, and further updates on a revised Code of Conduct were discussed at meetings of the Committee in the current municipal year; May 2022 and July 2022, with a recommendation from the Committee for Council to approve a proposed revised Code at its October 2022 meeting.

Counter Fraud Update

Counter Fraud updates were provided as part of the regular reports detailing progress against the Internal Audit plan.

6. Members of the Committee

Members of the Committee during 2021/22 are set out in **Appendix 2**.

The Audit and Governance Committee has been supported by officers providing reports in accordance with the Committee's work programme and at the request of the Committee.

The Committee has routinely been attended by the Executive Director Corporate Services, Director of Governance and Compliance (Monitoring

Officer), the Director of Financial and Customer Services (Section 151 Officer) and Head of Audit and Risk.

7. Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out statutory requirements including approving the Financial Statements and the Annual Governance Statement.

Committee members were provided with a copy of the Committee's Terms of Reference in advance of the May 2021 meeting.

The Committee has received updates on changes to relevant legislation, particularly in relation to Covid-19.

8. Training and Development

The following training was carried out during the 2021/22 year:

- Annual Governance Statement & Role of the Audit Committee
- Approving the Financial Statements
- Treasury Management

The training has been recorded and made available to all Councillors to improve understanding of the role of this Committee.

Where needed, induction briefings for new and deputising Members of the Committee have been provided. In addition, Members have access to copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit and Governance Committee Members.

9. Work programme for 2022/23

The Committee has an agreed work programme for 2022/23, which includes the annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular reports and assurances it receives on External Audit, Internal Audit, Risk Management and other areas.

The forward looking work programme ensures comprehensive coverage of the Committee's responsibilities and in addition to this, the Committee will:

- Continue to develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified as early as possible and remedial actions are taken in a timely fashion;
- Oversee any development required of the Audit and Governance Committee work programme to comply with the requirements of the CIPFA Audit Committees guidance;
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and continues to be an open and transparent public organisation;
- Continue to support the work of internal and external audit and ensure that responses are given to their recommendations;
- Receive assurance on compliance with best practice such as the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit;
- Continue to support the Council in managing the risk of fraud and corruption;
- Continue to develop the Audit and Governance Committee to review risk and partnership issues and safeguarding of public sector assets;
- Equip existing and new Members to fulfil their responsibilities by providing more detailed and focused training on all key areas of responsibility, including financial arrangements and risk management, governance and audit planning.

How the Audit and Governance Committee's Terms of Reference were met during 2021/22:

Terms of Reference of Committee	Relevant activity in 2021/22
Governance, Risk and Control	
To consider the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.	<p>The Committee approved the 2020/21 Annual Governance Statement in January 2022.</p> <p>The Annual Monitoring Officer's Report 2020/21 and the Annual Information Governance Update 2020/21 were received and approved in September 2021.</p>
To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, including an agreed action plan for improvements where necessary.	The Committee received the final 2020/21 Annual Governance Statement in January 2022.
To consider the effectiveness of the system of risk management arrangements by receiving regular reports on the adequacy and effectiveness of the Council's risk management and reporting arrangements and receive assurance that actions have been taken as necessary.	<p>The Committee received update reports on Risk Management in November 2021 and March 2022.</p> <p>The Annual Risk Management Report 2020/21 was received by the Committee in September 2021.</p>
To review the Council's Risk Management Policy and Framework and recommend it for approval by Corporate Policy Committee.	This has not been relevant during 2021/22.
To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	The Committee monitors Anti-Fraud and Corruption arrangements through regular updates on activity provided as part of the regular Internal Audit update reports.

Terms of Reference of Committee	Relevant activity in 2021/22
To monitor the counter-fraud strategy, actions and resources.	As above.
To review the governance and assurance arrangements for significant partnerships or collaborations.	<p>Governance and assurance arrangements are set out as part of the Annual Governance Statement.</p> <p>The Committee considered the scope and phasing of a review of the review of the governance and assurance arrangements for significant partnerships or collaborations in January 2022, which is due to be completed during 2022/23.</p>
To consider amendments to the Constitution and recommend proposals to Full Council for approval except where specifically delegated to the Monitoring Officer.	This has not been relevant during 2021/22.
Internal Audit	
To approve the internal audit charter.	An updated Internal Audit Charter was approved at the March 2020 Committee meeting. This was reviewed within 2020/21 with no further changes required during 2021/22.
<p>To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p> <p>To approve significant interim changes to the risk-based internal audit plan and resource requirements</p>	<p>The Committee approved the 2021/22 Internal Audit Plan in March 2021.</p> <p>The Committee approved the 2022/23 Internal Audit Plan in March 2022.</p>
To consider reports from the Head of Audit and Risk Management on internal audit's performance during the year, including:	The Committee monitored progress against the plan in November 2021.

Terms of Reference of Committee	Relevant activity in 2021/22
<ul style="list-style-type: none"> • Updates on delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations. • Reports on Internal Audit's effectiveness and compliance, it's Quality Assurance and Improvement Programme, including conformance with the Public Sector Internal Audit Standards, and the results of the external assessment review of Internal Audit when due. 	
To approve significant interim changes to the risk-based internal audit plan and resource requirements.	This has not been relevant during 2021/22.
To make appropriate enquiries of both management and the Head of internal audit to determine if there are any inappropriate scope or resource limitations.	The Audit and Governance Committee regularly consider this as part of discussion on the Internal Audit plan and progress updates.
To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments	The Audit and Governance Committee is made aware of the other operational responsibilities of the Head of Audit and Risk through the Internal Audit Charter.
Receive the annual report from the Head of Audit and Risk Management setting out internal activity during the year, and an opinion on the level of assurance as to the Council's arrangements for governance, risk management and internal control.	The 2020/21 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in September 2021.
To consider summaries of specific internal audit reports as requested.	Internal Audit interim reports include a summary of Internal Audit work completed and the significant issues arising from individual assignments.
To receive reports outlining the action taken where the Head of internal audit has concluded that management has accepted a	Internal Audit interim reports against the 2020/21 plan was received in November 2021.

Terms of Reference of Committee	Relevant activity in 2021/22
level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Internal Audit interim reports include a summary of Internal Audit work completed and the significant issues arising from individual assignments.
External Audit	
To oversee the process by which the Council's external auditor is appointed.	<p>In November 2021, the Committee considered a report on the proposals for appointing the Council's external auditors for the five year period from 2023/24.</p> <p>The Committee recommended to Council to accept the invitation from Public Sector Audit Appointments to 'opt in' to the sector led option for the appointment of external auditors for 5 financial years commencing 1 April 2023.</p>
To consider specific reports as agreed with the external auditor.	<p>The Committee received and considered the work of the External Auditor (all meetings during the year).</p> <p>A summary of the External Audit findings from the 2020/21 audit was presented to Committee in January 2022 by the External Auditor.</p>
To commission work from internal and external audit.	<p>The Committee consider the work plan at all meetings and commission additional work where Committee members determine that additional assurance is required.</p> <p>The relationship between Internal and External Audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.</p>

Terms of Reference of Committee	Relevant activity in 2021/22
To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	This has not been relevant during 2021/22.
Annual Statement of Accounts	
To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	The Annual Statement of Accounts 2021/22 was presented to the Committee in January 2022, and it was resolved that the Chairman be given delegated authority to sign off the final Accounts on behalf of the Committee, in consultation with the Director of Finance and Customer Services.
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	<p>A summary of the External Audit findings from the 2020/21 audit were presented to Committee in January 2022 by the External Auditor.</p> <p>The 2020/21 Annual Audit Letter was reported to the January 2022 Committee meeting.</p>
Monitor management actions in response to issues raised by the external auditor.	This has not been relevant during 2021/22.
Related Functions	
Subject to the requirements set out below, to consider findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be	The Committee received regular update reports throughout 2021/22 on the number of decision notices received from the Local Government and Social Care Ombudsman.

Terms of Reference of Committee	Relevant activity in 2021/22
<p>necessary or which arise from or are as a result of the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Council or a Committee.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give Committees April 2021 Chapter 2 – Part 4 Page 34 consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda</p>	
<p>To oversee the operation of the Contract Procedure Rules and provide assurance in respect of procurement and significant partnerships or collaborations.</p>	<p>The Committee considered a report on the scope and phasing of the review of Partnerships Governance at its meeting in January 2022.</p>
Standards Arrangements	
<p>The Committee is responsible for the Council's standards arrangements to:</p> <p>(a) promote high standards of ethical behaviour.</p> <p>(b) develop, maintain and update Codes of Conduct and protocols</p> <p>(c) Training Audit and Governance Committee</p>	<p>In May 2021 the Committee established a Hearing Sub-Committee to deal with complaints that a councillor breached the Code of Conduct for Members.</p> <p>A verbal update was provided on the progress of the Councillor Code of Conduct Working Group in September 2021.</p> <ul style="list-style-type: none"> A Member Code of Conduct Sub-Committee Report was received in March 2022. The report detailed a summary of recent Member Code of Conduct complaints and associated investigations with a recommendation that the working group consider any consequential amendments

Terms of Reference of Committee	Relevant activity in 2021/22
	to the Code of Conduct and associated process arising from the report.
The Committee is responsible for monitoring and advising Council about the operation of its Code of Conduct for Councillors in the light of best practice and any changes in the law.	During 2021/22, the Committee formed a Working Group which met on a number of occasions to review the LGA model code and assess suitability for adoption by Cheshire East Council during 2022/23.
The Committee will approve the arrangements for dealing with allegations that a Councillor or a town/parish Councillor within the borough has failed to comply with the relevant Councillors' Code of Conduct.	As above.
To assist the Council with the appointment of Independent Persons as required by the Localism Act 2011 and any independent persons under other secondary legislation.	In March 2022, the Committee received an update on the appointment of independent members and a recommendation from the Appointments Panel.
To determine any request for a dispensation under Section 33 of the Localism Act 2011, where not determined by the Monitoring Officer or to appeal against a determination by the Monitoring Officer.	This has not been relevant during 2021/22.
To respond on behalf of the Council to national reviews and consultations on standards related issues.	This has not been relevant during 2021/22.
To consider and make recommendations to Full Council on any other matter that may be referred to the Standards Committee relating to the conduct and training of Councillors.	This has not been relevant during 2021/22.
To review, advise, monitor and report to Full Council on member training.	Via the Audit & Governance Committee Annual Report.
To recommend proposals to Full Council for changes to the constitution in respect of any governance or standards matters, except where specifically delegated to the Monitoring Officer.	This has not been relevant during 2021/22.

Membership of the Audit and Governance Committee during 2021/22:

Members of the Audit and Governance Committee during 2021/22	
	<p>Councillor Margaret Simon (Chair) Councillor Simon re-joined the Committee in March 2020 having previously served on the Committee from its first meeting in June 2010 until March 2017.</p>
	<p>Councillor David Marren (Vice Chair) Councillor Marren became an elected member of Cheshire East Council in May 2011. He re-joined the Committee in September 2022 having previously served between May 2011 to June 2013 and again in December 2012 to March 2017.</p>
	<p>Councillor Rachel Bailey Councillor Bailey has been an elected member of Cheshire East Council since its beginning in April 2009. She joined the Committee in May 2019.</p>
	<p>Councillor Mike Sewart Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p>
	<p>Councillor Byron Evans Councillor Evans became an elected member of Cheshire East Council in May 2019 and has served on the Committee from May 2019 to May 2022.</p>
	<p>Councillor Patrick Redstone Councillor Redstone became an elected member of Cheshire East Council in May 2019 and was appointed to the Audit and Governance Committee in May 2021.</p>

Members of the Audit and Governance Committee during 2021/22	
	<p>Councillor Marilyn Houston Councillor Houston became an elected member of Cheshire East Council and joined the Committee in May 2019.</p>
	<p>Councillor A Harewood Councillor Harewood became an elected member in May 2011 and joined the Committee in January 2021.</p>
	<p>Councillor C Bulman Councillor Bulman became an elected member in May 2019 and joined the Committee in July 2021.</p>
<p>No image available</p>	<p>Councillor Toni Fox Councillor Fox was an elected member from Feb 2015 to June 2021 and served as Vice Chair on the Committee for one meeting in May 2021.</p>

There were no substitutions for Members of the Committee during the 2021/22 meetings.