

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Monday, 29th July, 2024 in the Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

## **PRESENT**

Councillor M Beanland (Chair)  
Councillor K Edwards (Vice-Chair)

Councillors S Adams, C Hilliard, G Marshall, P Redstone, J Snowball, D Clark  
(substitute for Cllr Drake), A Kolker (substitute for Cllr Heler), Mr R Jones and  
Mrs J Clark.

## **OFFICERS IN ATTENDANCE**

David Brown, Director of Governance and Compliance  
Adele Taylor, Interim Director of Finance and Customer Services  
Josie Griffiths, Head of Audit and Risk Management  
Michael Todd, Internal Audit Manager  
David Malcolm, Head of Planning  
Tracy Baldwin, Principal Accountant  
Alan Ward, Complaints Support Officer  
Nikki Bishop, Democratic Services Officer

## **14 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Brian Drake and Alison Heler.  
Councillors Dawn Clark and Andrew Kolker were present as substitutes.

## **15 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **16 MINUTES OF PREVIOUS MEETING**

Mr R Jones requested that the minutes be amended to reflect the attendance of  
both Co-opted Members (Mr Jones and Mrs Clark) and highlighted two typing  
errors for amendment.

### **RESOLVED:**

That the minutes of the meeting held on Thursday 30 May 2024 be approved as  
a correct record and signed by the Chair, subject to the above amendments  
being made.

## **17 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public registered to speak.

## 18 ACTION LOG

The committee reviewed the action log, the following updates were noted:

### Sandbach Town Council Standards Report

The committee referred to questions raised at the previous committee meeting by a visiting member and asked if consideration could be given to the committee receiving this report in the future. Officers confirmed that this matter had concluded and consideration by the committee was not deemed necessary, however it was a matter for the committee to decide upon. Members agreed to discuss this further during the Work Programme item.

### B4B Lessons Learnt

The committee agreed that further assurance would be welcomed on this matter, specifically covering overall costs (overspend and why this had occurred), lessons learnt and how such challenges would be addressed should they reoccur in the future. Officers confirmed that a health-check review of the B4B system was underway and the outcomes of this would be considered by senior officers prior to presenting an update to the committee in September 2024. Officers agreed to take-away the comments from Members and ensure these were reflected in the September update.

### Training Session with External Auditors

The committee noted that the proposed training session with Mazars would take place with the Council's new External Auditors, Ernst and Young. Officers committed to following this up and agreeing a date for a training session for the committee.

### Statement of Accounts

The committee noted that External Auditors, Mazars, had provided an update via email to the Chair and Vice Chair, which would be circulated to the wider committee after the meeting. The Statement of Accounts were in the second review stage and several additional follow-up questions had been put to the council which officers were in the process of responding to.

### HR Updates

The committee noted that there had been two informal briefings sessions provided for the committee on HR matters including senior leadership capacity, provided by the Chief Executive and Head of Human Resources.

### DSG Update

Members noted that a detailed response had been circulated to the committee following the update provided in May 2024. Members requested that a response be provided in relation to the questions asked on the impact of academisation on DSG. Officers committed to following up a written response. The committee queried the impact of changes to senior leadership in Children and Families on the delivery of the DSG Plan. Officers committed to providing a written response.

## 19 SECTION 106 - PROGRESS UPDATE

Members received a presentation which provided an update on the S106 Internal Audit Review and the Planning Service Improvement Programme. The committee were pleased to note that positive progress had been made to date such as the successful recruitment of several additional staff. It was reported that significant

work had been undertaken in relation to the Exacom system which was currently undergoing data quality and accuracy checks.

Members asked a number of questions, as summarised below.

Members sought assurance that no developer contributions would be lost due to time expiring on agreements. Officers confirmed that a small number at risk were picked up after the internal audit review and dealt with promptly. Members thanked officers for their hard work undertaken to date.

The committee queried how ward members would access local data on S106. It was confirmed that discussions on how this would be presented were ongoing, but members would either receive individual filtered reports derived from the live master-list or receive a full report for the borough which members could filter as necessary. It was noted that the S106 Working Group would consider this further.

Members requested that as much information as possible be shared with Town and Parish councils to enable them to do more future planning/budgeting on CIL/S106 monies. Officers highlighted that the authority had no control over CIL monies other than collecting funds after applications were received. There was information available on the council website for Town and Parish councils however officers committed to considering this further and how information and advice could be shared.

Members queried if S106 monies could be transferred to Town and Parish councils to facilitate works being undertaken when capacity was limited. Officers highlighted that this was difficult and would need to be considered by individual service areas responsible. Officers committed to providing clarity on this matter via a written response.

The committee welcomed the proposal that a further update on the actions arising from the internal audit review of S106 be provided as part of a progress update on the wider internal audit plan in September with a further update scheduled for December 2024 following the implementation of the Exacom system.

**RESOLVED:**

That the Audit and Governance Committee note the updates provided.

**20 DRAFT PRE-AUDITED STATEMENT OF ACCOUNTS 2023/24 AND OUTTURN UPDATE 2023/24**

The committee considered the report which provided a summary of the key financial activity and performance of the council for 2023-24. The full statement had been published on the council website and was open for public inspection for 30 working days, ending on 29 August 2024. The report detailed a net revenue outturn overspend of £8.5m against a revised budget of £356.2m and a capital outturn of £34.2m underspend.

Committee members referred to the variances between the 2022-23 and 2023-24 pension liability which had decreased from £84.3m to £13.7m and requested

further detail in relation to this. Officers committed to providing a written response.

It was agreed that a detailed briefing would be arranged for the committee on the Statement of Accounts as the audit process progressed.

**RESOLVED:**

That the Audit and Governance Committee

1. Note the summarised position of the accounts for year ended 31 March 2024.
2. Note the dates in relation to the approval process for the Statement of Accounts.
3. Note the overall financial performance of the Council in the 2023/24 financial year, as contained within the report, as follows:
  - a) Net Revenue Overspend of £8.5m against a revised budget of £356.2m (2.4% variance) funded by drawdown from General Reserves.
  - b) General Reserves closing balance of £5.6m.
  - c) C) Capital Spending of £136.9m against an approved programme of £171.1m (18% variance).

**21 DRAFT PRE-AUDITED FINANCIAL STATEMENTS – WHOLLY OWNED COMPANIES 2023/24 AND OUTTURN UPDATE 2023/24**

The committee considered the draft pre-audited financial statements and outturn update for the Wholly Owned Companies for 2023-24.

Members noted the decision of the Finance Sub Committee in June 2024 to bring the services provided by Ansa and Orbitas back-in house. It was confirmed that this would be recorded as a post balance sheet in the full financial statement summary of the accounts.

The committee queried how services would be structured once brought back in-house including timelines. Officers committed to considering this matter further and proposed an informal briefing with the appointed Project Manager.

**RESOLVED:**

That the Audit and Governance Committee

1. Note the summarised position of the Wholly Owned Companies Financial Statements for year ended 31st March 2024.
2. Note the dates in relation to the approval process for the Financial Statements.
3. Note the overall financial performance of the WOC's in the 2023/24 financial year, as contained within the Appendix 1, as follows:
  - a) (a) ASDV Reserves increased by £0.173m, retained reserves are £2.016m.

- b) (b) Wholly Owned Companies Net Core Contract Spending was £45.051m.

## **22 ANNUAL COMPLAINTS AND COMPLIMENTS REPORT 2023-24**

The committee considered the Annual Complaints and Compliments report for 2023-24. The committee noted that as services were changed to reflect changes in operating costs, complaints were expected to rise but agreed that it was important that any complaint was dealt with as quickly and efficiently as possible.

The committee asked for consideration to be given to reducing the 20-working day response time for SEND complaints. It was noted that this had increased for various reasons (capacity issues, increased number of complaints and complexity of cases) however the feedback from the committee would be shared with the relevant Head of Service for consideration.

The report identified an increase of 4% in complaints for waste and recycling. The committee requested a breakdown of this for general waste, recycling, and food waste. Officers committed to providing a written response.

### **RESOLVED:**

That the Audit and Governance Committee

1. Note the Committee complaints and compliments data, and the briefing material in this report relating to 2023/24.
2. Note the issues raised and improvements made in respect to the management of complaints across the Council contained within the briefing material in this report.
3. Note the Council's compliance with the Corporate Complaints Policy and with the recommendations of the Ombudsman.

## **23 PROGRESS AGAINST CIPFA REVIEW ACTIONS**

The committee considered the report which provided an update on progress against the CIPFA Review actions. The committee noted that progress continued to be made against the actions with action now being taken on all the recommendations where possible to do so. The Annual Report of the Audit and Governance Committee would be scheduled for consideration in September 2024 along with the Annual Monitoring Officer report.

The committee queried action 15 and the purpose of 'deep dives' and noted that several 'informal briefings', providing a more detailed update on areas identified by the committee in relation to the strategic risk register, had been arranged (Senior Leadership and Capacity, HR Functions and Governance of Wholly Owned Companies).

The committee noted that action 5 (recommendation 2) proposed that agenda items be clearly linked to the committees terms of reference. Officers committed to reflecting on this proposed action further.

### **RESOLVED (unanimously):**

That the Audit and Governance Committee

1. Note the progress made on the implementation of actions following the CIPFA review of the Audit and Governance Committee - Appendix 1.
2. Endorse the areas of briefing and training set out in Appendix 2.

## **24 DRAFT ANNUAL GOVERNANCE STATEMENT 2023-24**

Consideration was given by the committee to the draft Annual Governance Statement (AGS) 2023-24. The committee felt that the report was positive with good content which defined well the current position of the council.

The committee noted the proposal that the significant governance issue relating to Health and Social Care Integration be removed from future statements and noted that whilst significant progress had been made in this area, social care remained the largest area of statutory spend and that this recommendation should be deferred until the committee fully understood the work that had been undertaken in this area and what had been achieved.

It was proposed that reference with the AGS to 'regular evening meetings' be amended to refer to a 'testing of potential evening meetings'.

### **RESOLVED (unanimously):**

That the Audit and Governance Committee

1. Receive and review the draft Annual Governance Statement 2023-24, noting that the final proposed AGS will be provided to a future meeting for approval.
2. Approve the proposed changes to the significant issues as detailed in Sections 7 and 8 of the draft statement.

### **RESOLVED (by majority):**

That the Audit and Governance Committee

1. Do not approve the removal of the significant governance issue relating to Health and Social Care Integration from future statements.

## **25 INTERNAL AUDIT ANNUAL OPINION REPORT 2023/24**

The committee considered the Internal Audit Annual Opinion Report 2023-24 which detailed the work undertaken by Internal Audit during 2023/24 and how this contributed to the annual opinion on the council's control environment.

It was noted that the council's framework of risk management, governance, and internal control was assessed as "Limited" for 2023/24. Whilst this was disappointing, the committee recognised that Internal Audit's risk-based approach

included focussing on areas where issues were known or expected to exist and that whilst this approach added value to the organisation, typically led to lower overall assurance levels. The committee were pleased that Internal Audit had continued to support various services in developing systems and procedures ensuring that appropriate and proportionate controls were put in place.

It was noted that the external assessment report of compliance with Standards, which was required every 5-years, was due before the end of 2024 and that such review should be reported back to the committee. Due to a change of guidance in 2024, the Standards required amendment. It was confirmed that this would be subject to a peer review. Officers committed to keeping the committee updated as this progressed.

The committee were concerned to note that during the programme of internal audit reviews, 38% of actions identified related to 'a failure to apply existing controls' with a further 13% identifying an absence of an expected or actual control. Members felt this demonstrated a breakdown of the control environment and organisational culture.

The committee agreed that it would be helpful for members to compare figures to earlier years to help the committee identify key themes, such as capacity and staff turnover.

Members were pleased to note that the Interim S151 officer was taking steps to address the continuing failure to comply with the purchase card policy and agreed that needed to be addressed.

The committee welcomed the opportunity to hold an informal workshop session to enable committee members to review in detail examples of internal audit workings, which would seek to provide further assurance.

#### **RESOLVED:**

That the Audit and Governance Committee

1. Note and consider the contents of the Internal Audit Annual Opinion Report 2023/24 (Appendix A).
2. Note the Internal Audit opinion on the Council's framework of risk management, governance, and internal control for 2023/24 as "Limited".

## **26 WORK PROGRAMME**

Consideration was given to the committee Work Programme.

The committee noted that following today's discussions, the following items would be added to the Work Programme/arranged:

- Sandbach Town Council Standards Report
- Informal workshop on internal audit workings
- Health-Check Review on Unit4 (B4B)
- Statement of Accounts Briefing
- Update of delivery of the DSG Management Plan.

The committee noted that there were further meetings of the Audit and Governance Committee scheduled for December 2024, March 2025 and May 2025 and items for these meetings would be populated as soon as possible.

## **27 RISK MANAGEMENT REPORT 2023-24**

The committee considered the report which provided an update on risk management activity during 2023-24. Members considered the Council's Strategic Risk Register and the equivalent level risk registers of the wholly owned companies Orbitas, ANSA and Tatton Park Enterprises.

The committee noted the strategic risk relating to Information and Security Cyber threat (SR13) and considered the suggested likelihood and impact of this risk. The committee agreed that the impact of a cyber-attack could be catastrophic for the council and sought assurance that business contingency plans were in place. It was noted that there had been work undertaken with Emergency Planning colleagues to prepare for various scenarios with further events planned. A fuller briefing would be provided to the committee prior to the September meeting.

The committee considered the net-rating for SR03 'complexity and demand for children's services' and compared this to the net-rating of SR17 'Carbon Neutral Status'. It was felt that risk SR03 should be ranked higher than SR017 as failure to protect vulnerable children would have higher significant impact on the council when compared to the impact of failure to achieve carbon neutral status. It was noted that the risks were not ranked in order of prioritisation although risks were scored using a consistent methodology.

### **RESOLVED:**

That the Audit and Governance Committee note the updates provided.

The meeting commenced at 10.00 am and concluded at 1.15 pm

Councillor M Beanland (Chair)