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Audit and Governance Committee

Agenda

Date:	**Monday, 31st March, 2025**
Time:	**1.00 pm**
Venue:	**Capesthorne Room, Macclesfield Town Hall, SK10 1EA**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

   To note any apologies for absence from Members.

2. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary interests, other registerable interests, and non-registerable interests in any item on the agenda.

3. **Minutes of Previous Meeting** (Pages 5 - 10)

   To approve as a correct record the minutes of the meeting held on 24 February 2025.

For requests for further information
Contact: Nikki Bishop, Democratic Services Officer
Tel: 01270 686462
E-Mail: nikki.bishop@cheshireeast.gov.uk

4. **Public Speaking Time/Open Session**

In accordance with paragraphs 2.24 of the Council's Committee Procedure Rules and Appendix on Public Speaking a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days' in advance of the meeting and should include the question with that notice.

5. **Action Log** (Pages 11 - 12)

To receive an update on the committee action log.

6. **Unit 4 Briefing** (Pages 13 - 18)

To provide Audit and Governance committee with an update on a range activities designed to enhance the usability, efficiency, and perception of Unit 4 in Cheshire East Council (CEC) through various initiatives, including governance changes, functionality improvements, performance enhancements, and process reengineering.

7. **Companies Audited Financial Statements, External Audit Findings and Action Plan 2023/2024** (Pages 19 - 104)

To receive a report on the Audit Findings Reports for each Council owned company for the year ending 31 March 2024.

8. **Certification of Housing Benefit Subsidy Claim and Teachers Pensions Return 2023-24** (Pages 105 - 108)

To consider the report on the outcome of the External Auditor's certification process for the 2023/24 Housing Benefit Subsidy claim and the 2023/24 Teachers' Pension End of Year Certificate (EOYC).

9. **Whistleblowing Policy Update**

To receive a verbal update on the revised Whistleblowing Policy.

10. **Internal Audit Plan 2025-26** (Pages 109 - 132)

To consider the report which sets out the proposed Internal Audit Plan for 2025/26.

11. **School Catering - Decision of Children and Families Committee** (Pages 133 - 142)

To consider the report which sets out the findings of a review into the school catering decision taken by the Children and Families Committee.

12. **Bi-Annual Update on Information Requests** (Pages 143 - 150)

To consider the report which updates on information requests.

13. **Work Programme** (Pages 151 - 154)

To consider the Work Programme.

Membership: Councillors B Drake, S Adams, M Beanland (Chair), K Edwards (Vice-Chair), A Heler, C Hilliard, G Marshall, P Redstone and J Snowball, Mr R Jones and Mrs J Clark.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Monday, 24th February, 2025 in the Capesthorne Room, Macclesfield Town Hall

PRESENT

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

Councillors S Adams, A Heler, C Hilliard, G Marshall, P Redstone, J Snowball and Mr R Jones.

OFFICERS IN ATTENDANCE

Adele Taylor, Interim Executive Director of Resources and S151 Officer
Janet Witkowski, Acting Governance, Compliance and Monitoring Officer
Josie Griffiths, Head of Audit, Risk and Assurance
Michael Todd, Acting Internal Audit Manager
Paul Goodwin, Acting Director of Finance and Deputy S151 Officer
Tracey Baldwin, Principal Accountant
Nikki Bishop, Democratic Services Officer

ALSO IN ATTENDANCE
Hassan Rohimun, Ernst & Young (External Auditor)
Rae Mae Suzette Apolonio – Ernst & Young (External Auditor)

54 **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Brian Drake and Mrs Jennifer Clark.

55 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

56 **MINUTES OF PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on 5 December 2024 be approved as a correct record and signed by the Chair.

57 **PUBLIC SPEAKING TIME/OPEN SESSION**

There were no registered speakers.

58 **ACTION LOG**

The committee received an update on the action log, summarised below:

- Audited Statement of Accounts and Annual Governance Statement Training: A briefing session had taken place with committee members on Tuesday 18 February 2025. Presentation slides had been circulated by email and would be added to the Audit and Governance Committee Teams Channel.

- S106 Update: a written response was being prepared and would be circulated to the committee as soon as possible.

- School Catering report to the Children and Families Committee: this matter was being investigated, and an update would be provided at the next committee meeting. The Monitoring Officer confirmed that the Constitution now made provision for dealing with cross-cutting issues however officers would need to further investigate this particular matter to understand what had gone wrong.

- Training Strategy for Members: a draft strategy had been developed and would be considered by the committee at its next meeting in March. The committee requested that the delivery method of e-learning be further considered as a number of members had issues completing mandatory training via the Learning Lounge. Democratic Services Officers would be present at the Full Council meeting on 26 February who would be able to assist members with any issues.

- A question was raised in relation to the action relating to good practice briefing notes. It was confirmed that a Teams Channel had been developed for the committee which contained a number of resources (guidance documents, presentations etc) to assist the committee. Officers asked members to review the content of the channel and feedback any areas/gaps they felt needed to be addressed.

59 **EXTERNAL AUDITORS - AUDIT OF ACCOUNTS 2023-24**

The committee considered the report which set out the latest draft Statement of Accounts 2023-24, an update on the Audit of Accounts 2023-24 and the Interim Completion Report from Ernst and Young (EY), the council's external auditors. The committee noted that legislation had been introduced relating to back-stop dates for local authorities to publish audited accounts (28 February 2025 for 2023-24). EY confirmed that they had not been in a position to obtain sufficient evidence to be able to conclude that the financial statements of the council were free from material and pervasive misstatement before the backstop date and had therefore anticipated issuing a disclaimed 2023-24 audit opinion. However, EY had also received four objections, from a local elector, on the 2023-24 financial statement and until these had been considered by EY, the final external audit opinion could not be given.

It was noted that the appointment of EY as the council's external auditor had been a late appointment and that the 2023-24 audit did not commence until October 2024.

EY presented their interim findings to committee. Significant weaknesses were identified in the council's arrangements relating to the financial sustainability. The council's Medium-Term Financial Strategy (MTFS) was not sustainable without central government support and therefore, the council was at risk of issuing a S114 notice in the future.

Further significant weaknesses in arrangements for 2023-24 were noted in the following areas:

- Ofsted Inspection Report: the findings of the Ofsted and improvement notice issued by the Secretary of State was evidence of significant weaknesses in arrangements.
- Corporate Challenge Peer Review: the Peer Review identified a number of significant issues and proposed a series of recommendations. The council's subsequent action plan identified 73 actions and whilst the council was responding positively to the issues identified, the findings of the peer review represented significant weaknesses in arrangements for 2023-24.
- Head of Internal Audit Opinion: During 2023-24, the Head of Internal Audit concluded that the overall opinion on the council's framework of risk management, governance and internal control was 'Limited'. The findings of the report provided evidence of significant weakness in arrangements.
- Annual Governance Statement 2023-24: The AGS identified that there were arrangements in place for the council to identify governance issues and to establish plans to address relevant areas. However, the AGS identified weakness in arrangements for 2023-24 in respect of partnership working.

The committee noted the 2024-25 backstop date (28 February 2026) and were pleased that colleagues from EY would be meeting the council's finance team to ensure that both EY and the council were prepared for the 24-25 audit. This preparation will include reviewing the data and information required by the new auditors, and how it is extracted and shared in a format that best meet the needs of EY.

The committee raised concerns in relation to bank reconciliations which had not been prepared on a regular basis during 2023-24 and agreed that timely complete of bank reconciliations was a fundamental control measure that should be completed monthly. It was confirmed that reconciliations were now completed as a matter of routine and were up to date for 2024-25. The committee were pleased to note that a number of permanent positions within the finance team had recently been filled.

The committee sought further information relating to the four objections that had been received. EY confirmed that the objections received related to governance and until these objections had been formally considered, work on the 2023-24 audit could not concluded. It was anticipated this work would be completed, in March. The findings of the review of objections would then be shared with the objector and council, who would have an opportunity to respond before with the final opinion is issued. The findings of the review would be shared with the Public Sector Audit Appointments Ltd, for information. It was noted that the disclaimed opinion on the 2023/24 accounts would have effects on the audit reporting for the following two years of accounts, after which the council would expect to receive unqualified audit opinions again.

RESOLVED:

That the Audit and Governance Committee

1. Note the latest Draft Statement of Accounts for 2023/24 (Appendix B) – reflecting the revisions in relation to IAS19 Pensions (December 2024).

2. Note the Interim Audit Completion Report (Appendix A) for the year ending 31 March 2024.

3. Note that the management responses to the Interim Audit Completion Report will be reported to the Committee at the next available opportunity.

4. Note that the Interim Executive Director of Resources (S151) is required to publish a statement of explanation on the Council's website by the backstop date 28 February 2025.

60 **ANNUAL GOVERNANCE STATEMENT 2023-24**

The committee considered the draft Annual Governance Statement 2023-24 and the updates that had been made since the last update to the committee in December 2024. The Chair requested that, should any member of the committee have any further comments on the 2023-24 AGS, that these are shared with officers as soon as possible.

RESOLVED:

That the committee noted the draft Annual Governance Statement 2023-24.

61 **INTERNAL AUDIT PLAN 2024-25 - PROGRESS UPDATE**

The committee considered the report which provided an update on the work undertaken by Internal Audit between April and December 2024, along with an overview of planned work for the remainder of the financial year and how this would contribute to the Annual Internal Audit Opinion.

It was highlighted the positive progress was being made in relation to the implementation of agreed audit actions. 75% of all actions due have now been implemented compared to 49% at the end of the previous financial year. The committee welcomed this positive progress which provided assurance that the follow-up process was becoming more established. Since the publication of the report, a further 10 actions had been completed.

It was requested that the tables/RAG ratings used within the report provide a more detailed breakdown, highlighting those actions identified as high/medium/low priority.

The committee welcomed the report and were pleased to note the support received by the council’s Corporate Leadership Team.

RESOLVED:

That the Audit and Governance Committee note the report and the update provided.

62 **WORK PROGRAMME**

The committee considered the Work Programme. It was noted that the 6 March 2025 meeting had been moved to 31 March 2025.

It was agreed that a date for the Member Working Group: Whistleblowing Policy, would be scheduled once feedback had been received from the Brighter Futures Champions Group.

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Audit and Governance Committee - Action Log

Committee Date	Action	Lead Officer	Update on Progress	Status
December 2024	**S106 Update** Members queried if there had been a reduction in planning applications since the introduction of the system – officers committed to providing a written response.	Interim Director of Environment and Planning	Response circulated to committee on 5 March.	
December 2024	The committee discussed the recent decision taken by the Children and Families Committee in relation to school catering and raised concerns in relation to the governance process this had followed, and its subsequent impact on the Adults and Health Committee. The Monitoring Officer confirmed that appropriate governance processes were in place and set out in the Constitution for matters that covered more than one service committees remit. The Monitoring Officer committed to investigating this specific issue and reporting back to the committee.	Governance, Compliance and Monitoring Officer	Added to 31 March 2025 committee agenda.	

Agenda Item 5

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Cheshire East Council

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BRIEFING REPORT

Audit and Governance Committee

31 March 2025

Unit4 Briefing

Report of: Adele Taylor, Interim Executive Director of Resources and S151 Officer

Report Reference No: AG/29/24-25

Wards affected: N/A

Purpose of Report

1 To provide Audit and Governance committee with an update on a range activities designed to enhance the usability, efficiency, and perception of Unit 4 in Cheshire East Council (CEC) through various initiatives, including governance changes, functionality improvements, performance enhancements, and process reengineering.

Executive Summary

2 The programme of work is being delivered through essential ongoing service improvement and delivery within CEC and the Transactional Shared Service (TSS)-led Stabilisation and Improvement programme jointly funded with Cheshire West and Chester and being supported by Human Engine, an external company supporting the transformation work. Key activities include stakeholder engagement, health check workshops, and a review of the Agilisys contract to support the implementation of a new integration solution.

Background

3 Following the verbal update given to committee on 30th September 2024 this briefing note aims to update members on progress.

4 Key deliverables in the last year include the health check analysis, service delivery optimisation, integration replacement proof of concept, and contract management activities which have informed the next stages of the improvement programme. Upcoming deliverables focus on the Transactional Shared Service delivery model review, modern integration implementation, and ongoing optimisation.

Briefing Information

5 The programme focuses on improving functionality, performance, capability, processes, reporting and communication within Unit 4 in CEC.

6 A communication strategy is being drafted to ensure all stakeholders across the council are kept informed of progress on each of the improvement items.

7 Stakeholders and users have been engaged through Unit4 (the company) and Human Engine workshops, and feedback sessions to document what works well and what needs improvement.

8 The health check workshops and discovery sessions with Unit4 have laid the foundation for a comprehensive programme addressing statutory compliance and functionality gaps.

(a) The health check was completed in August 2024, with a verbal update given to Audit and Governance committee in September 2024.

(b) The recommendations from the health check and roadmap for improvement is to be implemented from January 2025 through to March 2026 for the highest priority areas.

(c) Initial phase for highest priority areas of statutory compliance to be delivered by April 2025. Progress has been good in resolving high priority issues.

9 A Transactional Shared Service delivery review is being undertaken by our delivery partner, Human Engine. This review will document current ways of working, provide feedback sessions to key stakeholders, and recommend a number of options for future improvements. The procurement of delivery partner completed in December 2024. Output from the Service delivery review with recommendations will be delivered in April 2025.

10 Two non-user-facing workstreams include a Proof of Concept (PoC) project to replace an existing legacy integration solution with a modern Microsoft Azure technology. PoC was completed in December 2024.

Implementation is planned to run from February 2025 through to March 2026. In relation to the review of the Agilisys contract, work will be undertaken to link into the future support model review decision to understand requirements for replacement the current support contract with an alternative supplier. The current Agilisys contract expires September 2026.

11 Ongoing initiatives include user support and education through manager support sessions, targeting problem areas costing both councils money and improving user experience of Unit4.

12 Efforts have been made to provide enhanced Unit4 access to support council super-users, enabling self-sufficiency for finance-related activities.

13 Ongoing service reviews continue between HR/Finance clients and TSS.

14 A number of changes have formed part of service improvement activities in the Governance and Support team, these include:

(a) Improved Support Site materials and user guides

(b) Re-introduced end user Knowledge Transfer Sessions.

(c) Developed and mobilised HR forms to improve end user experience and reduce manual input.

(d) Implemented several new interfaces across a number of systems (inc. Early Years, Purchase cards and Oxygen).

(e) Implemented new pay schemes (inc. Home and Electronics, Salary Sacrifice)

(f) Improved UNIT4 access for single sign-on for all users

(g) Delivered the National Fraud Initiative submission and improved process

(h) Developed a series of Power BI Dashboards to strengthen the use of data in decision making and inform demand reduction.

(i) Improved KPIs across all Governance and Support functions

(j) Supported a number of team members to undertake Data Apprenticeship qualifications to develop knowledge, skills capacity the service

15 Service improvements in Payments and Income include:

(a) Successful tests, upgrades, and implementations have been carried out in the banking and financial management systems.

(b) Successful system upgrades The Access PaySuite Cash Management System was upgraded to V14, and the transition of locally hosted to Cloud was successfully tested and implemented into the live environment. Additionally, new business objects reports were tested following the Cash Receipting system upgrade to the cloud.

(c) Process and procedure changes have been made, including new processes for CEC Banks, reduction of items in suspense, and new payment processes for CEC and CWaC Garden Waste.

(d) A number of cost reduction and efficiency initiatives were launched, such as reduction in printing and postage costs, demand management reduction initiatives, and the transition to electronic payment methods.

16 Recruitment and Pay service improvements include reviewing access channels, launching an enquiry form, developing a case viewer, creating Power BI dashboards, reintroducing knowledge transfer sessions, streamlining contract processes, undertaking reconciliations, developing standard operating procedures, establishing monthly liaison meetings, reviewing leavers processes, and conducting end-to-end business process reviews.

Implications

Monitoring Officer/Legal

17 Whilst there are no legal implications flowing directly from the content of this report, there could be legal, reputational and resource implications included as part of the outcomes of various reviews. Consideration will be given to these outcomes when they are available.

Section 151 Officer/Finance

18 The current known requirements for revenue and capital spending, regarding matters covered by this report, have been reflected in the budgets approved by Council in the Medium-Term Financial Strategy 2025/26-29. Any further changes will be reported for consideration in the future, as the related projects progress.

19 Whilst it is too early to estimate financial effects, it is hoped that reviews in respect of the internal and external support models – and associated procurements – will offer the potential for financial savings in the medium term.

Policy

20 There are no direct policy implications.

Equality, Diversity and Inclusion

21 There are no equality implications arising from this report.

Human Resources

22 HR implications for staff will depend on the outcomes of various reviews. Consideration will be given to these outcomes when they are available.

Risk Management

23 Failure to improve the current provision of Unit4 and the TSS service delivery model will significantly impact CECs ability to deliver process efficiencies, improved data reporting and user experience.

Rural Communities

24 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

25 There are no direct implications for Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities.

Public Health

26 There are no direct implications for public health.

Climate Change

27 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Gareth Pawlett, Director of Digital gareth.pawlett@cheshireeast.gov.uk

Appendices:	None
Background Papers:	None

Cheshire East Council

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Audit and Governance Committee

31 March 2025

Companies Audited Financial Statements, External Audit Findings and Action Plan 2023/2024

Report of: Adele Taylor, Interim Executive Director of Resources (S151)

Report Reference No: AG/40/24-25

Ward(s) Affected: (All Wards)

Purpose of Report

1 The purpose of this report is to:

- present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2023/24.
- provide a summary of findings from the Group of Companies' external audit for 2023/24. It identifies the key issues that have been considered by Grant Thornton before issuing their opinion on the single entity Company financial statements. The individual company Audit Finding Reports are appended to this paper along with a summary in Appendix A.

2 This report is produced in accordance with the requirements of the Constitution and the committee's terms of reference which state that: The Audit and Governance Committee are to consider reports from the Interim Executive Director of Resources (S151) which enable the Committee to have oversight on external audits of the Cheshire East Group, helping to ensure efficient and effective assurance arrangements are in place. The report contributes to the Council's objective of being an open and enabling organisation.

Executive Summary

3 The Audit Finding Reports by Grant Thornton, the Group of Companies external auditors, summarise the findings of the 2023/24 Audit and are appended to the paper.

4 The auditors have provided an unqualified opinion on the accounts of both companies.

5 The reports identify the key issues that have been considered by Grant Thornton before issuing their opinion on the single entity financial statements for Ansa Environmental Services Limited and Orbitas, Bereavement Services Limited.

6 As a result of the audit work and any subsequent findings there have been no material changes to the Statements of Accounts for 2023/24 since the Summary Accounts were presented to the Audit & Governance Committee on 29th July 2024 and published in summary form on the Company websites on 18th July 2024. The overall figures in the main financial statements have remained the same, other than a minor adjustment on the Orbitas profit from £66k to £64k recognising a small £2k adjustment for depreciation notified to the auditors ahead of the audit.

7 The respective Company Boards are responsible for approval and signing of the single entity Financial Statements for 2023/24. The Ansa and Orbitas Boards signed off the Financial Statements on the 28th November 2024.

8 Following sign off, the signed financial statements were filed and published at Companies House.

RECOMMENDATIONS

The Audit & Governance Committee is recommended to:

Note the Audit Findings Reports for each Council owned company for the year ending 31 March 2024.

Background

9 The auditors are responsible for giving an opinion on:

- Whether the accounts give a true and fair view of the financial position of the Company as at 31 March 2024;
- Whether they have been prepared properly in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- Whether they have been prepared in accordance with the requirements of the Companies Act 2006.

10 The findings in relation to these areas are set out in each appended Audit Findings Reports – See Appendix B and C.

11 As the Company's appointed auditors, representatives of Grant Thornton attended the respective Company Board meetings for Ansa and Orbitas on 25 November 2024 to report their findings directly to the Company Directors. A summary of control findings is provided in Appendix A.

12 Paragraph 8.3 of current existing Company Shareholder Agreement stipulates that each Company is required to report its Annual Accounts and Audit report at its AGM to which the Shareholder is invited. Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd have not been holding AGMs since a decision was taken in December 2020 by the then Director of Place to waive this requirement. Between 2020 and 2023, the Accounts and Audit Reports have been reported to the respective Ansa and Orbitas Audit Committee and then onto the Company Boards. Following governance changes in June 2024, the Accounts and Audit Reports have been reported to the Ansa and Orbitas Boards and as noted in paragraph 12 the external auditors were present.

13 A Cheshire East nominated Shareholder Representative attends the Ansa and Orbitas Board meetings. Charles Jarvis (Head of Economic Development) attended both Boards on 25th November 2024 in his capacity as a Board Director when Grant Thornton presented their Audit Findings.

Consultation and Engagement

14 As companies within the Cheshire East Group, in accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015 the accounts were made available for inspection between 18th July 2024 to 29th August 2024.

15 The Financial Statements for each company for 2023/24 are available on Companies House:

Ansa: https://find-and-update.company-information.service.gov.uk/company/08714767/filing-history

Orbitas: https://find-and-update.company-information.service.gov.uk/company/08747498/filing-history

The full Audit Finding Report for each company provided by Grant Thornton is appended to this covering report.

Reasons for Recommendations

16 The appointed auditors are required to report to those charged with governance. The Audit Findings Reports present findings, conclusions and recommendations from audit work undertaken relating to the financial year 2023/24.

Other Options Considered

17 Not applicable.

Implications and Comments

Monitoring Officer/Legal

18 Paragraph 13 of the report notes that a decision having been taken waive the requirement for Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd back in 2020, neither company has since then been holding AGMs. The decision to waive the requirement to hold AGMs conforms to the law, as it is no longer a requirement for a private company to hold an AGM; and the accounting approval functions that would pertain to an AGM were it to be held is subsumed into board business. The governance process that is reflected in paragraph 13 for the approval of the accounts of each company is therefore compliant and reflects a streamlined approach to a company's statutory administration.

Section 151 Officer/Finance

19 As covered in the report.

Policy

20 There are no policy implications identified.

Equality, Diversity and Inclusion

21 There are no equality implications identified.

Human Resources

22 There are no human resources implications identified.

Risk Management

23 The audit has been conducted in accordance with International Standards of Auditing (UK) and means the auditors focus on audit risks that have been assessed as resulting in a higher risk of material misstatement.

Rural Communities

24 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

25 There are no direct implications for children and young people.

Public Health

26 There are no direct implications for public health.

Climate Change

27 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Adele Taylor Interim Executive Director of Resources (S151) adele.taylor@cheshireeast.gov.uk
Appendices:	**A** – Summary of Audit Control Findings **B** – The Audit Findings for Ansa Environmental Services Limited **C** - The Audit Findings for Orbitas Bereavement Services Limited
Background Papers:	The following are links to key background documents: Draft Pre-audited Financial Statements – 2023-24 Appendix A - Pre-auditedFinancialStatements

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Appendix A

Internal Control Findings by Company

ANSA

Assessment	Issues and Risk	Recommendations
	Cash and Bank The Barclays bank letter includes Business Premium Account, these are no longer in use and not identified in the TB. There is a risk that cash could therefore be misstated through inappropriate use of these accounts.	We recommend closing these accounts if they are no longer in use. **Management Response** RESOLVED - BPA accounts have now been closed.
	Property, plant and equipment On review of the PPE register, we noted that there were items held at a negative net book value (NBV). This indicates that they have been depreciated beyond their original cost. There is therefore a risk that the entity's asset values are understated and future gains or losses on disposal will be overstated.	We recommend that management perform a review of their fixed asset register at frequent intervals to ensure no negative balances are held. **Management Response** RESOLVED - Revised Fixed Asset Reg reconciled and that checking procedures for this year end will ensure the error is not repeated and that the correct balances will be recognized on insourcing to CEC 1.4.2025
	Cash at bank When performing our bank reconciliation, we noted that the reconciling items on the bank reconciliation were not true reconciling items as they cleared the bank on Sunday 31st March. There is therefore a risk that cash balances are misstated at the year end. We do not propose any adjustments in respect of this control finding given the trivial value of the reconciling items on this occasion.	We recommend that management only post true reconciling items when performing bank reconciliations. **Management Response** A live check of the bank account will be performed on the 31/3/25 into the evening to ensure any late transactions are captured and coded before the AP/AR cut off.

●	**VAT** From the testing performed during the course of our audit work, it was noted that multiple invoices dated pre year end but not yet invoiced (i.e. physically delivered) by suppliers resulted in incomplete accrued expenses and VAT recoverable.	This control point has been re-raised in FY24. **Management Response** Expenses are accrued manually/auto accrued net of VAT . VAT is not accrued as it is not an expense in the accounts. Same accounting treatment throughout CEC as in previous audits.
●	**Support for completion of performance obligations** There is a lack of evidence that demonstrates where the entity has carried out its performance obligation for waste collection and other income. There is a risk revenue is recognised too early or when the service did not occur. •For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.	This control point has been re-raised in FY24. **Management Response** Working Papers have been provided to evidence performance obligations that has been submitted to the auditors and will continue to be compiled for the 24-25 audit.
●	**Headcount** While performing the audit, it was noted that the headcount report was not appropriate. We have prepared the reconciliation by opening number of employees after adjusting the impact of starters and leavers should match with the closing number of employees. However, this was not reconciling and hence we continue to raise this matter.	This control point has been re-raised in FY24. **Management Response** Monthly reconciliation procedure to ensure the Unit 4 agrees to current active employments. Ensure regular monitoring of the movement in employee numbers from the agreed totals as per prior year financial statements. This ensures movement is correctly tracked and the figure in the next year statement of accounts reconcile.

Orbitas

Assessment	Issues and Risk	Recommendations
	Cash and Bank The Barclays bank letter includes Business Premium Account, these are no longer in use and not identified in the TB. There is a risk that cash could therefore be misstated through inappropriate use of these accounts.	We recommend closing these accounts if they are no longer in use. **Management Response** RESOLVED - BPA accounts have now been closed.
	Support for completion of performance obligations There is a lack of evidence that demonstrates where the entity has carried out its performance obligation. There is a risk revenue is recognised too early or when the service did not occur. • For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.	We recommend the entity having the relevant evidence to prove the performance obligation has been met. **Management Response** Working Papers have been provided to evidence performance obligations that has been submitted to the auditors and will continue to be compiled for the 24-25 audit.

Assessment:

Deficiency – risk of inconsequential misstatement.

Significant deficiency – risk of significant misstatement.

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Grant Thornton

Audit Findings for Ansa Environmental Services Limited

Year ended 31 March 2024

25 November 2024

Grant Thornton

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CW10 0JR

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St Peter's Square
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T +44 (0) 161 953 6900
www.grantthornton.co.uk

25 November 2024

Dear Members of the Board

Audit Findings for Ansa Environmental Services Limited for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available grant-thornton-ireland-transparency-report-2023.pdf (grantthornton.ie).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Lowe

Partner
For Grant Thornton UK LLP

Chartered Accountants

Contents

Introduction, status of the audit and audit opinion

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion.

- Subsequent events update, up to the point of approval of the Financial Statements
- Formal distribution of this document to Those Charged With Governance
- Headed and signed Letter of Written Representations
- Final versions of the Annual Report inc. Financial Statements for signature

Subject to satisfactory completion of the above points,
we anticipate issuing an unqualified audit opinion.

Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Audit findings

Significant risks
Revenue cycle includes fraudulent transactions

Risk identified

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In the context of the entity's revenue streams we have identified the significant risk to be in respect of the occurrence of the revenue transactions with the risk specifically lying within those transactions that do not relate to the management fee. The significant risk within revenue has specifically been pinpointed to non-management fee related income.

Audit procedures performed

Our audit procedures included:

- The review and testing of revenue recognition policies.
- Review of key contracts and testing the design and implementation of controls for each significant revenue stream.
- Obtaining written confirmation from contract counterparties regarding the amount of revenue billed and therefore recognisable throughout the reporting period.
- Substantive testing on a sample of invoices for each material external revenue stream.
- Review of invoices raised either side of the year end to confirm that cut-off is correct, and revenue has been recognised in correct periods.

Key observations

- The Revenue Cycle was identified as a significant risk in planning the audit.
- One control deficiency was noted during the course of our work regarding a lack of evidence that demonstrates where the entity has carried out its performance obligation for waste collection and other income. For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Significant risks
Management override of controls

Risk identified

In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.

Audit procedures performed

Our audit procedures included:

- The review of accounting estimates, judgements and decisions made by management.
- Obtained an understanding of the design and implementation of the Company's internal controls through which journals are initiated, recorded, processed and reported.
- We confirmed the completeness of the general ledger reports by developing an expected closing trial balance to the actual closing trial balance.
- Our primary testing of journals included identification and substantive testing of journals that pose heightened risk of material misstatements. The journals tested include period end transactions, material post close entries, entries that constitute unusual items as well as journals that met defined characteristics.
- For our supplementary testing we analysed all remaining entries within the population using our data analytics software, Inflo, and generated a sample based on specific risk criteria, determined by an understanding of the entity. The sample was then agreed to supporting documentation to confirm the accuracy of amounts posted and the business rationale behind each selected transaction. This included a review of any unusual journal entries and significant transactions.

Key observations

- We have noted no material adjustments or findings in relation to management override of controls.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.
- Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Other findings – significant matters

	Issue	Commentary	
1	Non-going concern basis of accounting	• During the course of our work, and communications with Management, we were made aware that on 25th June 2024 the Council Finance Committee made the decision to bring services provided by Ansa Environmental Services Limited and Orbitas Bereavement Services Limited back in house by 31 March 2025. • Since this date the company has begun making plans to transfer operations and trade which is expected to be completed on or before 1st April 2025. • Therefore, Management had asserted that the accounts ought to be prepared on a non-going concern basis.	**Auditor view** • As a consequence of the CFC decision, we challenged Management regarding the appropriateness of disclosures made within the financial statements, particularly in regard to going concern across the Strategic Report, Directors' Report and Accounting Policies. • Following discussion with Management, these disclosures were appropriately amended to reflect the known outcome of the case. • Our understanding is that the trade and assets of the Ansa and Orbitas businesses will be transferred back into the Council at Net Book Value (NBV), meaning that it is therefore appropriate that assets and liabilities are not remeasured to an alternative Fair Value, based on a break-up basis, at the Balance Sheet date. In this instance, NBV is equal to FV.
2	Conclusion of the HSE case	• During the course of our work, and communications with Management, we were made aware of the conclusion of the HSE case and subsequent sentencing hearing that took place in November 2024. • Cheshire East Council pleaded guilty to breaching Section 3(1) of the Health and Safety at Work Act 1974. They were fined and ordered to pay costs at a hearing at Chester Magistrates Court on 8 November 2024. • There was no separate penalty for Ansa Environmental Services Limited, who also pleaded guilty to breaching 3(1) of the Health and Safety at Work Act 1974. They were ordered to pay a nominal fine, as the District Judge said it would have been disproportionate to impose fines on both entities.	**Auditor view** • As a consequence of the findings, and subsequent sentencing, we challenged Management regarding the appropriateness of disclosures made within the financial statements, particularly in regard to events since the Balance Sheet date and contingent liabilities. • Following discussion with Management, these disclosures were appropriately amended to reflect the known outcome of the case, and the resulting change in disclosure regarding the contingent liability.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			ITGC control area rating		
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**
Unit 4 ERP 7.10	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●

Assessment:

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for assessment

Other findings – internal controls

	Assessment	Issue and risk	Recommendations
1	Deficiency (amber)	**Cash at bank** • The Barclays bank letter includes Business Premium Account, these are no longer in use and not identified in the TB. There is a risk that cash could therefore be misstated through inappropriate use of these accounts.	• We recommend closing these accounts if they are no longer in use.
2	Deficiency (amber)	**Property, plant and equipment** • On review of the PPE register, we noted that there were items held at a negative net book value (NBV). This indicates that they have been depreciated beyond their original cost. There is therefore a risk that the entity's asset values are understated and future gains or losses on disposal will be overstated.	• We recommend that management perform a review of their fixed asset register at frequent intervals to ensure no negative balances are held.
3	Deficiency (amber)	**Cash at bank** • When performing our bank reconciliation, we noted that the reconciling items on the bank reconciliation were not true reconciling items as they cleared the bank on Sunday 31st March. There is therefore a risk that cash balances are misstated at the year end. • We do not propose any adjustments in respect of this control finding given the trivial value of the reconciling items on this occasion.	• We recommend that management only post true reconciling items when performing bank reconciliations.

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"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment:
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Other findings – update on internal control findings issued in prior year)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	• From the testing performed during the course of our audit work, it was noted that multiple invoices dated pre year end but not yet invoiced (i.e. physically delivered) by suppliers resulted in incomplete accrued expenses and VAT recoverable.	• This control point has been re-raised in FY24.
2	X	• There is a lack of evidence that demonstrates where the entity has carried out its performance obligation for waste collection and other income. There is a risk revenue is recognised too early or when the service did not occur. • For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.	• This control point has been re-raised in FY24.
3	X	• While performing the audit, it was noted that the headcount report was not appropriate. We have prepared the reconciliation by opening number of employees after adjusting the impact of starters and leavers should match with the closing number of employees. However, this was not reconciling and hence we continue to raise this matter.	• This control point has been re-raised in FY24.
4	✓	• We have raised an adjustment in relation to the release of an over-accrual for waste collection/tonnage payments which were identified in our Cost of Sales testing. The projected difference exceeded trivial threshold therefore we have proposed an audit misstatement.	• This control point has been rectified in FY24 where the over accrual is not present in the accounts.

Assessment:

✓ Action completed

× Not yet addressed

Adjusted misstatements

There have been no adjusted misstatements in the year.

Unadjusted misstatements

No	Description	Potential adjustments Type	Profit and loss DR/(CR)	Balance sheet DR/(CR)	Impact on profit and loss account £	Impact on balance sheet CA £	NCA £	CL £	NCL £	SE £
	Draft result for financial statements				105,035	9,893,342	4,532,804	(9,206,242)	(3,693,468)	(1,526,436)
					Profit					
1	Finance Lease Liability			563,350				563,350		
	Prepayment and Accrued Income			(563,350)		(563,350)				
	Being payment of the finance lease liability interest has exceeded the amount being unwound in the P/L	Factual								
2	VAT Receivable			217,881				217,881		
	Trade Payables			(217,881)				(217,881)		
	Adjustment to recognise the unrecorded VAT Receivable from invoices entered into the system post year end	Factual								
	Potential impact				105,035	9,329,992	4,532,804	(8,642,892)	(3,693,468)	(1,526,436)

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	• We are not aware of any significant incidences.
4	Written representations	• All information and explanations requested from management was provided. • We have requested a specific representation point from Management regarding the non-going concern basis of preparation of the financial statements.
5	Confirmation requests from third parties	• We have obtained confirmations from third parties regarding the year-end bank balances.
6	Disclosures	• Our review found no material omissions in the financial statements.

Independence considerations

Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for non-audit services charged from the beginning of the financial year to the end of the audit engagement, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

There are no non-audit services provided.

None of the below services were provided on a contingent fee basis. The below fees are exclusive of disbursements, expenses and VAT.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Ansa Environmental Services Limited. The table summarises all services which were identified.

Audit Fees	£
Audit of Company	26,850
Total	**26,850**

Grant Thornton do not provide any non-audit services to Ansa Environmental Services Limited. As there are no non-audit services, no threats to our independence are present and thus no safeguards are required.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional insights

Related Parties: What and why we require information regarding related parties

What information is required?

We require the following information regarding related parties:

a) The identity of **all** the entity's related parties, including changes from the prior period;

b) The nature of the relationships between the entity and these related parties; and

c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

Applying the definition per IAS 24 to entities and people

Related party – Entities?

Includes but is not limited to entities within the same group which means that each parent, subsidiary and fellow subsidiaries are related to the others.
However, the definition is far broader than this, and care is required to identify all related entities.

Related party - People?

Key Management Personnel (KMP), individuals with control, joint control or significant influence over the entity, **and** close members of that person's family.

In group situations, KMP and close family members of the KMP of the immediate parent, any intermediate parent and the ultimate parent of the entity.

Why do management need to maintain related party information?

The entity is required to disclose related party transactions in accordance with the applicable accounting framework. To be able to discharge its responsibility to disclose this information, the entity must be equipped with sufficient processes supported by appropriate accounting records to be able to identify related party transactions for disclosure.

Companies Act 2006 (CA 2006) requires that the Company maintain adequate accounting records

Why we require information regarding related parties?

ISA (UK) 240 (Revised) requires auditors to obtain an understanding of the fraud risk factors, including those arising from related party relationships and transactions to identify and assess the risks of material misstatement due to fraud.

ISA (UK) 550 requires auditors to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in accordance with the accounting framework.

Definition of Related Parties per Accounting Standards

The definition of related parties is similar under IAS 24 and UK GAAP.

A related party is a person or entity that is related to the entity that is preparing its financial statements. Please refer to the full definition in IAS 24 'Related Party Disclosures' paragraphs 9-12 or Section 33 of FRS 102.

A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

a) that person's children and spouse or domestic partner;

b) children of that person's spouse or domestic partner; and

c) dependants of that person or that person's spouse or domestic partner.

Confidentiality and UK General Data Protection Regulation (UK GDPR)

We are bound by the terms of our letter of engagement with you, and by the ICAEW Code of Ethics, to keep all information confidential.

All of our people are required to understand and comply with the provisions of UK GDPR and the Data Protection Act 2018 (DPA). The lawful basis for processing personal information in situations of statutory audit is to comply with a legal obligation. All personal information collected and obtained in held securely and in line with relevant retention policies.

Related Party Information is not provided

Where management does not provide a complete list of related parties or a list is not provided, we may need to modify our audit opinion.

IFRS reporters
New or revised accounting standards that are in effect

IFRS 17 Insurance Contracts	• IFRS 17 is mandatory for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted if IFRS 9 is also applied at the date of adoption or earlier. • IFRS 17 defines an insurance contract based on whether the contract transfers significant insurance risk. Therefore, contracts that meet this definition may be in the scope of IFRS 17 even if they issued by a non-insurer. There are scope exemptions for certain types of contracts. • Detailed transition requirements apply.
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8	• The amendment to IAS 1 is effective for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. • The amendments to IFRS Practice Statement 2 include guidance and two additional examples on the application of materiality to accounting policy disclosures. • The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
IAS 12 narrow scope amendment Deferred tax related to assets and liabilities arising from a single transaction	• The amendments apply for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 12 amendment narrows the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effect of this is that companies will need to recognise a deferred tax asset (DTA) and a deferred tax liability (DTL) for temporary differences arising on initial recognition of a lease and a decommissioning provision. • For leases and decommissioning liabilities, the associated DTA and DTL should be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised in retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
IAS 12 narrow scope amendment International Tax Reform - Pillar Two Model Rules	• This IAS 12 amendment provides companies with a mandatory temporary relief from deferred tax accounting for the impact of the jurisdictional implementation of Pillar Two model rules. The mandatory temporary exception applies immediately and retrospectively (UKEB endorsement date is 19 July 2023). Companies are required to disclose that the relief has been applied. • The amendment also adds disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes. These disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

IFRS reporters
Future financial reporting changes

New IFRS accounting standards effective on or after 1 January 2024

Amendment to IAS 7 and IFRS 7 - Supplier finance

The amendments introduce enhanced disclosure requirements for supplier financing arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendment to IAS 1 - Non-current liabilities with covenants

The amendments clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.

Amendment to IFRS 16 – Lease liability in a sale and leaseback

The amendment specifies how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained.

New IFRS accounting standards effective on or after 1 January 2025

Amendments to IAS 21 - Lack of Exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

IAS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective from **1 January 2027**, with earlier adoption allowed. Comparatives will require restatement.

Environmental, Social and Governance (ESG) reporting

The Financial Reporting Council's (FRC) update to its '2021 Statement of Intent on ESG'*

We draw attention to the FRCs communication News I Financial Reporting Council (frc.org.uk) issued in January 2023 which includes the update ESG Statement of Intent – What's Next (frc.org.uk) as well as the key areas of supervisory focus for 2024/2025.

1. Why are we communicating this to you?

Improving transparency on climate and wider ESG risks and opportunities, and related governance activities and behaviours, is a key priority of the FRC's ESG strategy. Management and Those Charged With Governance should consider the detail of the update, given the prominence placed on this area by the FRC for 2024 and beyond, how it may affect you and the actions that need to be taken.

2. What will the FRC's key areas of focus be in 2024?

The FRC have noted that one of their key areas of focus will be climate related risks, including TCFD disclosures.

They have also noted that their priority sectors are:

- Construction and Materials
- Food Producers
- Gas, Water & Multi-utilities
- Industrial Metals and Mining
- Retail

3. What does the update address?

- Areas where ongoing challenges in ESG reporting remain
- Actions for preparers to produce decision relevant information
- The FRC's plans to engage with the market to ensure that stakeholder needs are met as demand for ESG information continues to evolve

4. What resources relating to ESG reporting and governance do the update include?

To assist in navigating what remains a challenging and evolving reporting landscape, several links are included throughout the update on a wide range of material produced by the FRC.

Note: *The FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. Since then, it has undertaken a significant number of initiatives both in the UK and internationally, to assist and support its wide range of stakeholders and drive best practice in high-quality and comparable ESG reporting and disclosure.

Climate Change – The roles and responsibilities of management

Why do management need to consider climate change?

Climate change is topical for investors and other stakeholders. The effects of climate change are increasingly visible, and it has the potential to impact a growing number of entities of all natures and sizes in various industries. This can be directly or indirectly, e.g., through their supply chain, customer base, financing, insurance and laws and regulations (both global and local).

This has led to growing demand by stakeholders for climate-related information for decision making. Reporting needs to consider both how a company is considering climate-related impacts on its business, as well as the impact the company has on the environment. This, together with the financial statement impact of climate-related considerations now and in the future, provides a key insight for investors and other stakeholders. It helps to understand the future the company faces, and the future it intends to help bring about.

Management's assessment of the potential impact on the entity's financial statements is an area of focus for the FRC. In the 'Annual Review of Corporate Reporting' published in October 2023, they highlighted detailed findings and expectations on corporate reporting. The full report can be accessed at FRC Annual Review of Corporate Reporting 2022/2023.

One of the expectations that the FRC has from companies in relation to financial statements is ensuring that

- Material climate change risks and uncertainties discussed in narrative reporting have been appropriately considered in the financial statements – both the impact on numbers and narrative disclosures
- Narrative reporting is consistent with the financial statements

We encourage management to stay abreast of developments in this area, as guidance and reporting requirements will continue to evolve in the coming years.

What do management need to consider when thinking about climate change?

We ask management to consider the aspects below and while these considerations are not exhaustive, it will be used as part of our audit procedures.

- The climate reporting requirements, directives, or legislation that the entity is required to comply with. See "Summary – current 'climate-related' reporting requirements for companies reporting in the UK" for further detail
- How management identifies and responds to climate related issues. This will include management's process(es) and controls for identifying and responding to the impact of climate change/ climate related issues and risk assessment of climate change to the business

What is our role when considering climate change?

The auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and report on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework. If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this. This requires consideration of factors presenting a potential risk of material misstatement of the financial statements as a result of climate change. Where risks are identified, auditors need to determine an appropriate audit response to determine if they have a material impact on the financial statements.

Summary – current 'climate-related' reporting requirements for companies reporting in the UK

	Category of company				
	Small private	Medium private	Large private	AIM	Main markets[5]
Directors' report	✓	✓	✓	✓	✓
• SECR report			✓	If large	✓
• Stakeholder engagement			✓	If large	✓
Strategic report[1]		✓	✓	✓	✓
• s172 statement [6]			✓	✓	✓
• Environmental matters					✓
• Non-financial and sustainability information statement ('TCFD')[2]			> 500 employees and > £500m turnover	> 500 employees	> 500 employees
TCFD report					✓[3]
Viability report					✓
Financial statements [4]	✓	✓	✓	✓	✓

Notes

1. Forthcoming (not yet endorsed in the UK. Decisions on implementation will include any effective date for UK Sustainability Disclosure Standards (UK SDS). The effective date of 1 January 2024 stated in the ISSB standards therefore is not relevant in the context of UK reporting: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
2. For accounting periods starting on or after 6 April 2022
3. The London Stock Exchange ("LSE") implemented changes to its listing rules, effective from July 29, 2024. The former distinctions between "premium" and "standard" listings for commercial entities have been abolished, replaced by a single category for "equity shares (commercial companies)". There is a transition (equity shares) category for those entities previously with a standard listing. The recent updates to the LSE's listing rules did not introduce changes to the Task Force on Climate-related Financial Disclosures (TCFD) requirements for entities that were previously standard or premium listed.
4. FRS 102 Factsheet 8 (frc.org.uk), IFRS standards and climate related disclosures IASB and Effects of climate-related matters on financial statements
5. Main Markets include: LSE Main Market, IPSX, The London Metal Exchange, ICE Futures Europe, Aquis Stock Exchange Limited and Cboe Europe Equities Regulated Market
6. All public limited companies (PLC), whether or not they are listed or registered on AIM or whether they meet the size thresholds, are excluded from being small or medium-sized under section 467 of the Companies Act 2006; hence all PLCs need to prepare a section 172 statement.

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (CFD)

Overview

For financial years starting on or after 6 April 2022, mandatory climate-related financial disclosure (CFD) requirements on climate change related risks and opportunities, where these are material, are required. These requirements have been built into the Companies Act.

Entities within scope are:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market and banking companies or insurance companies (Relevant Public Interest Entities (PIEs))
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m
- Traded or banking LLPs which have more than 500 employees

Disclosure requirements

Disclosure requirements include descriptions of governance arrangements, how climate-related risks and opportunities are identified and the actual and potential impacts of the climate-related risks and opportunities identified. This is not an exhaustive list of the requirements.

These disclosures should be given in the Strategic Report in a separate section titled "Non-financial and sustainability information statement". LLPs should include their disclosures either in the Energy and Carbon Report or, if a Strategic Report is prepared, within that report.

The requirements can be found in here: The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Further guidance on the application of these requirements can be found here:
Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

Financial Conduct Authority (FCA) requirements to make Task Force Climate-related Financial Disclosures (TCFD)

Overview

Entities in scope of the TCFD requirements are required to include a statement in their annual financial report, setting-out whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Where disclosures have not been made, there must be an explanation of why and a description of any steps they are taking or plan to take to make consistent disclosure in the future.

We draw attention to the new listing rules applicable from July 29, 2024, Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules.

These recent updates have not introduced changes to the TCFD requirements and entities that were previously required to make TCFD disclosures will continue to be in scope under their remapped categories.

Entities within scope of the Task Force on Climate-related Financial Disclosures (TCFD) requirements under the new UK Listing Rules (and ESG sourcebook) are:

- All entities within the new "commercial companies" , “International secondary listing”, “Non-equity and non-voting equity shares” and “transition” categories, and the “Certificates representing certain securities (depositary receipts)” category, other than investment entities or shell companies.
- Asset managers and certain asset owners above the £5 billion exemption threshold.

Further Review

We draw attention to FRC communication News Financial Reporting Council issued in July 2023.

The FRC and FCA published two reports which found that listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, but further improvements are needed. These reports can be found here:

The FRC report FRC Thematic review of climate-related metrics and targets July 2023

The FCA report Review of TCFD-aligned disclosures by premium listed commercial companies | FCA

Included in these reports is a full list of areas where companies will need to raise the quality of their disclosures.

The FRC noted that there have been improvements in the reporting of climate-related metrics and targets but there are still areas for further improvement. These include better linkage to risks and opportunities, more transparency and disclosure of how the impact of announced climate-related targets and transition plans have been considered.

Reminder – Companies Act and FCA disclosures

The requirements under the Companies Act (mandatory climate-related financial disclosures) and the requirements under the FCA rules (TCFD) can both apply to entities simultaneously.

The FCA rules apply the TCFD requirements on a “comply or explain” basis. The Companies Act requirements do not have the explain option and compliance is mandatory.

Corporate Sustainability Reporting Directive (CSRD)

Overview

If the group has branches or subsidiaries of a specified size that are trading in EU member states, then those entities will be required to provide extensive sustainability disclosures from 1 January 2025 in the annual reports and accounts of those entities.

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023. Individual EU member states have 18 months from the effective date to incorporate the requirements of the CSRD into their domestic law. While member states cannot deviate from the minimum requirements set out in the CSRD they are able to make a number of elections during this exercise. These include the scoping requirements, the determination of the language that should be used for the sustainability report and permitting assurance to be provided by alternative providers to the statutory auditor.

What are the goals of the corporate sustainability reporting directive?

A key objective of the CSRD is enabling businesses to increase transparency and accountability of their reporting, and give stakeholders insight and guidance through analysis, benchmarking, and auditing. It's also intended to broaden the scope of sustainability management and reporting to include sustainability risks and opportunities. Ultimately, this should encourage businesses to develop a strategy to improve on sustainability.

The disclosure required by the CSRD is extensive. It covers the complete range of sustainability related topics such as climate change, biodiversity, employee working conditions, human rights etc.

Key things to know about the CSRD

Double materiality

Double materiality is fundamental to the new rules. In-scope companies will now have to report on a double materiality basis, identifying sustainability risks and opportunities, and the impact of the company on people and the environment. This means that companies will have to identify both the external impact on society and the environment (impact materiality), as well as the impact on the enterprise value (financial materiality).

Sustainability reporting standards

On 31 July 2023, the European Commission adopted 12 European Sustainability Reporting Standards (ESRS) that underpin the requirements of the CSRD. These standards have become law and will be published in the EU's Official Journal and will apply from 1st January 2024. There is no requirement, unlike the CSRD, for these to be included in the domestic law of EU member states.

Sustainability assurance

The CSRD has a requirement for mandatory assurance for all reported sustainability information. The assurance level commences with 'limited assurance' and over time will increase to 'reasonable assurance' following an assessment as to whether such a level of assurance is feasible for both auditors and entities. This is expected to have been completed by no later than 1 October 2028.

Corporate Sustainability Reporting Directive (CSRD)

Companies that are in scope and first-time application

- Large EU undertakings that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- Large Non-EU entities that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- All other large EU undertakings and EU undertakings that are parents of a large group - Reporting on financial years beginning on or after 1 January 2025
- Listed SME undertakings - Reporting on financial years beginning on or after 1 January 2026, with an optional deferral by two years (to 1 January 2028)
- Non-EU entities with significant activities in the EU - Reporting on financial years beginning on or after 1 January 2028

Size criteria

An EU entity will be a large entity if at least two of the following metrics are exceeded on two consecutive annual balance sheet dates:

- Total assets of €25 million
- Net turnover (revenue) of €50 million
- Average of 250 employees

A listed small or medium-sized undertaking is required to issue a CSRD report in accordance with simplified standards designed specifically for these types of undertakings. Micro-undertakings are exempt from issuing a CSRD report. To be a SME or micro-undertaking, two of the three respective thresholds cannot be exceeded as of the balance sheet date of two consecutive financial years.

	Micro undertakings	Small undertakings	Medium-sized undertakings
Balance sheet total	€450,000	€5,000,000	€25,000,000
Net turnover	€900,000	€10,000,000	€50,000,000
Average number of employees during the financial year	10	50	250

Non-EU entities with significant activities in the EU

Even if it does not have listed securities, a non-EU entity that has significant activities in the EU will be required to provide global consolidated reporting following the non-EU dedicated standards beginning in fiscal year 2028 if:

- Consolidated net turnover (revenue) generated in the EU exceeds €150 million for each of the last two consecutive financial years; and
- Either:
  - at least one entity in the consolidated group within the scope of CSRD is a large undertaking or a listed small or medium-sized undertaking; or
  - at least one branch generated more than €40 million annual net turnover in the EU in the preceding financial year.

Recommended action to take

- Identify which entities in the group are in the scope of the CSRD, taking into account any changes made by member states in their domestic laws
- Identify what information is required to be disclosed by the ESRS and determine how any data gaps will be addressed. This includes comparing new disclosure requirements to the current state
- Undertake a double materiality assessment. This may include policies, KPIs, and targets
- Determine what EU taxonomy* disclosures and KPIs will also need to be reported along with the ESRS disclosures

* The EU Taxonomy is a classification system developed by the European Union (EU) to identify and define economic activities that are considered environmentally sustainable.

Streamlined energy and carbon reporting (SECR)

The SECR framework

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006.

Size Limits	Two out of:
Turnover	>£36m
Balance sheet	>£18m
Employees	>250

Large Limited Liability Partnerships (LLPs), which are already required to undertake energy audits under Energy Savings Opportunities Scheme (ESOS) Regulations also fall within scope of the SECR framework. Companies using 40,000kWh or less energy in the 12 month reporting period are exempt. Public organisations, charities or voluntary bodies fall outside this legislation unless they operate as companies or LLPs and are above the relevant reporting thresholds.

The SECR was developed with the intention of making environmental reporting more consistent and to encourage more businesses to realise the benefits of measuring their environmental performance. Measurement is often the first step in reducing energy and other resource consumption and can assist businesses in gaining a better understanding of these increasingly important environmental challenges.

Group reporting

If reporting at the group level, when making energy and carbon disclosures, information of any subsidiaries included in the consolidation must also be taken into account. However, there is the option to exclude any information relating to a subsidiary which the subsidiary would not be obliged to include if reporting on its own account.

Furthermore, a subsidiary might not be obliged to include the energy and carbon information in its own accounts and reports, if it is included in the group report of a parent undertaking.

What needs to be in the financial statements?

Disclosure requirements include UK energy usage with comparatives, UK scope 1 and 2 greenhouse gas emissions with comparatives and methodology of how the data has been collated and prepared. This is not an exhaustive list of the requirements.

There are also voluntary Scope 3 greenhouse gas emissions disclosures that are encouraged.

A full list of requirements can be found at Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

These disclosures need to be made in the directors' report. Where energy usage and carbon emissions are of strategic importance to the company, disclosure may be included in the strategic report instead of the directors' report.

FRC Thematic Review

In September 2021, the FRC published their thematic review on SECR. The key findings from this review is that more needs to be done to make the disclosures understandable and relevant for users:

- Reports did not always provide sufficient information about the methodologies used to calculate the emissions and energy use information
- It was not always clear which entities were included in groups' SECR disclosures
- More thought is needed about how to integrate these disclosures with narrative reporting on climate change, where relevant, and make them easier for users to navigate
- It was sometimes unclear whether the ratios selected were the most appropriate for the entities' operations
- Disclosures about energy efficient measures did not always clearly describe the 'principal measures' taken by the entity in the current year
- The extent of third party assurance obtained over the SECR information was not adequately explained in most cases

The thematic review report provides a number of best practice examples, along with the expectations of the FRC for good SECR disclosures.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

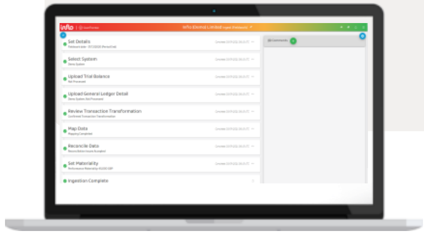
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Cascade

A data analytic tool which visualises every transaction impacting revenue and receivables and highlights those impacting general ledger accounts outside of the normal course of business.

What you'll see

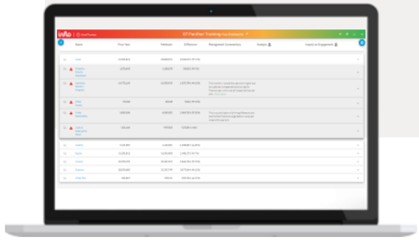
- A visualisation of your revenue process, highlighting potentially unusual transactions
- Significant reduction in sample sizes, but testing focussed where there are potentially unusual transactions

04 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



The Grant Thornton Digital Audit – Open Banking

Using Open Banking, auditors can receive all the details of your banking activity directly from the banks

What is it?

Open Banking is a set of standards and technologies that allows individuals and businesses to share their financial data securely with third parties of their choice. It allows individuals and companies to consent to their banks sharing transactional information directly with specific third parties – for example, with Grant Thornton.

The process can take as little as 15 minutes from requesting your consent to receiving 100%-verified bank transactions in an Excel bank statement.

Grant Thornton's regulated Open Banking provider – Circit Limited – have successfully onboarded over 260 different banking institutions across the world and are adding more all the time.

Grant Thornton has easy to follow 'how to' documents to follow to get you setup and familiarised with this technology.

How will it work?

01 Enable Open Banking in your online banking portal

Ciricit has produced guides with screenshots for the largest UK bank to guide you in providing the required permission for your bank to respond to Open Banking requests.

Depending on your bank, this may be managed using 'roles', 'permissions' or 'authorisations.' Your bank administrator may be required to add these permissions or to approve the change.

If you encounter any difficulties or are unsure how to do this, ask your audit team for assistance.

02 Provide consent to share your transactions

Once you have provided the appropriate permission to your user account in Step 1, you can follow the link in the email from Circit. This will take you to Circit's website where you will be guided through the process of providing consent.

This registers your consent for your bank to share information with Circit. Circit will then make this information available to Grant Thornton for the purpose of your audit.

The benefits of Open Banking

01 Efficiency

First year setup can take as little as 15 minutes and in subsequent years you can securely provide bank data to your auditor in less than a minute.

Once consent is received, then data can be extracted in seconds. Moreover, as the data is direct from the banks, there is no need for audit teams to spend time doing verification procedures.

No more hassle with downloading multiple bank statements in PDF format.

02 Audit Quality

Laborious audit tests can be automated using Open Banking data, letting your auditors focus their attention on the complex and judgmental areas.

03 Security

Open banking is consent-driven technology by design.
You control access and can revoke your consent at any time.

The Grant Thornton Digital Audit – Open Banking

Is my data secure?

Open Banking Security

01 Highly regulated
Every participant providing Open Banking services must be regulated by the FCA.

02 Consent Driven
Your data cannot be accessed without your consent, which can be revoked at any time.

03 Connected to your bank
Your security details are never shared with any party other than your bank.

04 Secure APIs
Open Banking is run over rigorously tested APIs with bank-level security.

Circit Security

01 ISO Certification
Circit has ISO 27001 certification.

02 Encryption
All content is encrypted in transit and at rest, with keys safeguarded with FIPS 140-2 Level 2 validated Hardware Security Modules.

03 Secure infrastructure
Multi-layered security powered by Microsoft Azure, with active monitoring of physical data centres, infrastructure, firewalls and operations to protect your data at every level.

04 GDPR
All data processing is GDPR-compliant. Data is not stored outside the European Economic Area or countries deemed to have an 'adequate level of protection' as confirmed by the European Commission (and, hence, covered by the UK's own adequacy regulations).

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Interest audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

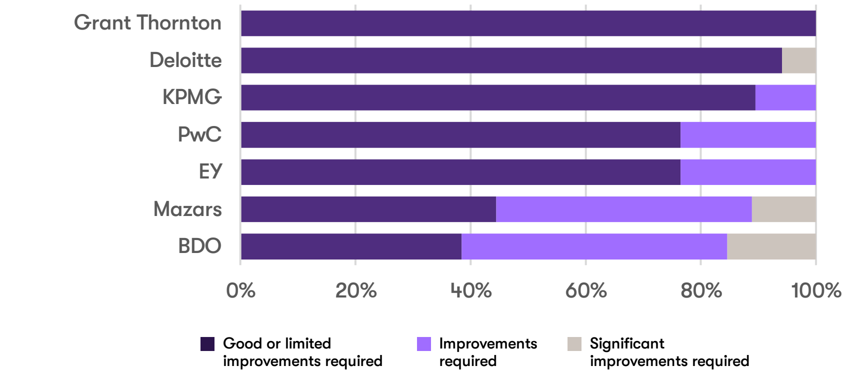
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)

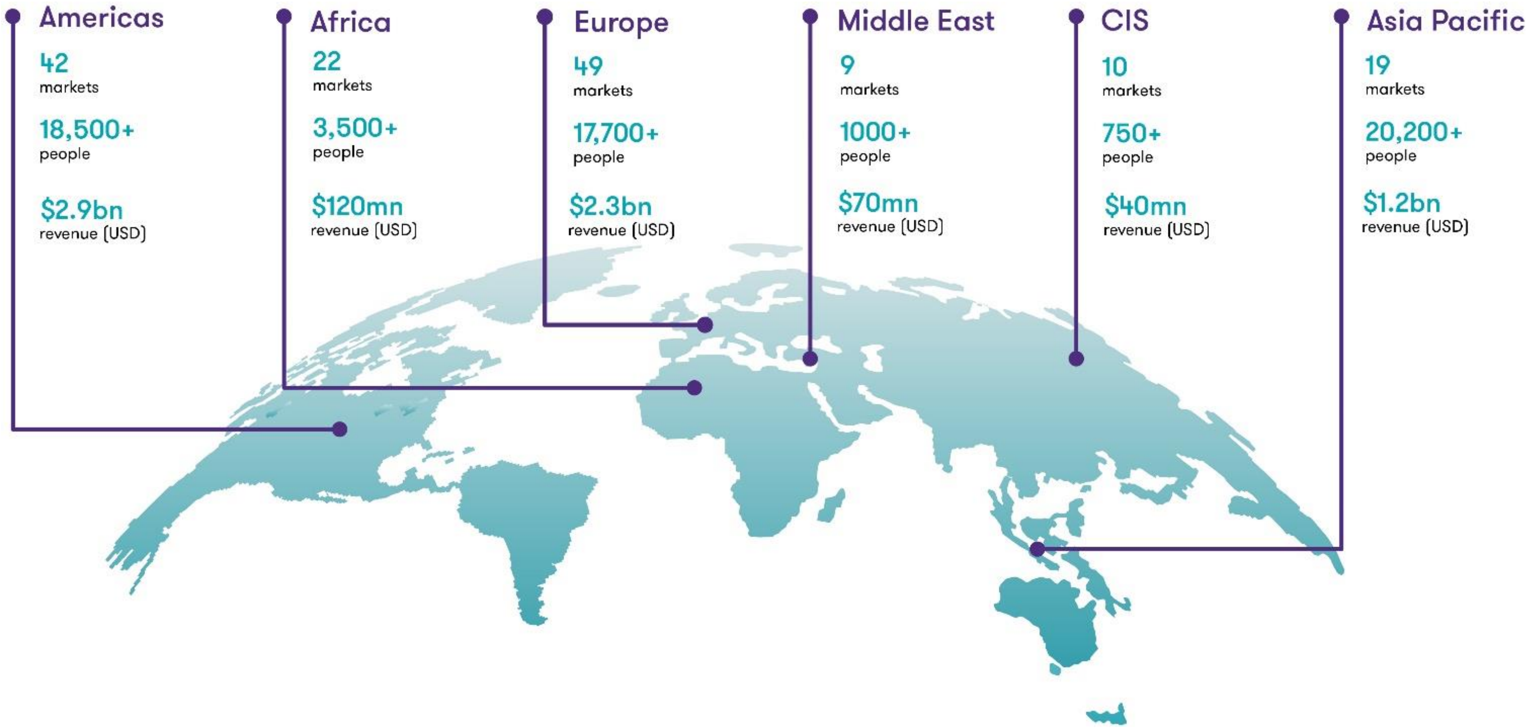


Grant Thornton at a glance

We are the UK member firm of a global network that employs 62,000 people in 140 countries. We combine global scale with local insight and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions.

We go beyond business as usual, so you can too. We make business more personal by investing in building relationships.

Whether you're growing in one market or many, you consistently get a great service you can trust. We work at a pace that matters – yours – bringing both flexibility and rigour. We celebrate fresh thinking and diverse perspectives to bring you proactive insights and positive progress.



27
UK offices

200+
Partners

5,000
UK employees

£570m
Turnover

No.1
Independent nominated adviser of AiM

6th
Largest auditor – FTSE 350

6th
Largest auditor – UK's top privately-held companies

51%
FTSE 100 are non-audit clients

Appendices

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

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Grant Thornton

Audit Findings for Orbitas Bereavement Services Limited

Year Ended 31st March 2024

25 November 2024

Orbitas Bereavement Services Limited
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Landmark
St Peter's Street
1 Oxford Street
Manchester
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25 November 2024

Dear Members of the Board

Audit Findings for Orbitas Bereavement Services Limited for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available grant-thornton-ireland-transparency-report-2023.pdf (grantthornton.ie).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Lowe

Partner
For Grant Thornton UK LLP

Chartered Accountants

Contents

Introduction, status of the audit and audit opinion

Grant Thornton

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion.

- Subsequent events update, up to the point of approval of the Financial Statements
- Formal distribution of this document to Those Charged With Governance
- Headed and signed Letter of Written Representations
- Final versions of the Annual Report inc. Financial Statements for signature

Subject to satisfactory completion of the above points, we anticipate issuing a clean audit opinion.

Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Audit findings

Significant risks
Revenue cycle includes fraudulent transactions

Risk identified

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In the context of the entity's revenue streams we have identified the significant risk to be in respect of the occurrence of the revenue transactions with the risk specifically lying within those transactions that do not relate to the management fee. The significant risk within revenue has specifically been pinpointed to non-management fee related income.

Audit procedures performed

Our audit procedures included:

- The review and testing of revenue recognition policies
- Review of key contracts and testing the design and implementation of controls for each significant revenue stream.
- Obtaining written confirmation from contract counterparties regarding the amount of revenue billed and therefore recognisable throughout the reporting period.
- Substantive testing on a sample of invoices for each material external revenue stream.
- Review of invoices raised either side of the year end to confirm that cut-off is correct, and revenue has been recognised in correct periods.

Key observations

- The Revenue Cycle was identified as a significant risk in planning the audit. After performing these procedures, the engagement team found no issues.
- One control deficiency was noted during the course of our work regarding a lack of evidence that demonstrates where the entity has carried out its performance obligations. For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology

Significant risks
Management override of controls

Risk identified

In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.

Audit procedures performed

Our audit procedures included:

- The review of accounting estimates, judgements and decisions made by management.
- Obtained an understanding of the design and implementation of the Company's internal controls through which journals are initiated, recorded, processed and reported.
- We confirmed the completeness of the general ledger reports by developing an expected closing trial balance to the actual closing trial balance.
- Our primary testing of journals included identification and substantive testing of journals that pose heightened risk of material misstatements. The journals tested include period end transactions, material post close entries, entries that constitute unusual items as well as journals that met defined characteristics.
- For our supplementary testing we analysed all remaining entries within the population using our data analytics software, Inflo, and generated a sample based on specific risk criteria, determined by an understanding of the entity. The sample was then agreed to supporting documentation to confirm the accuracy of amounts posted and the business rationale behind each selected transaction. This included a review of any unusual journal entries and significant transactions.

Key observations

- We have noted no material adjustments or findings in relation to management override of controls.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.
- Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Other findings – significant matters

	Issue	Commentary	
1	Non-going concern basis of accounting	• During the course of our work, and communications with Management, we were made aware that on 25th June 2024 the Council Finance Committee made the decision to bring services provided by Ansa Environmental Services Limited and Orbitas Bereavement Services Limited back in house by 31 March 2025. • Since this date the company has begun making plans to transfer operations and trade which is expected to be completed on or before 1st April 2025. • Therefore, Management had asserted that the accounts ought to be prepared on a non-going concern basis.	**Auditor view** • As a consequence of the CFC decision, we challenged Management regarding the appropriateness of disclosures made within the financial statements, particularly in regard to going concern across the Strategic Report, Directors' Report and Accounting Policies. • Following discussion with Management, these disclosures were appropriately amended to reflect the known outcome of the case. • Our understanding is that the trade and assets of the Ansa and Orbitas businesses will be transferred back into the Council at Net Book Value (NBV), meaning that it is therefore appropriate that assets and liabilities are not remeasured to an alternative Fair Value, based on a break-up basis, at the Balance Sheet date. In this instance, NBV is equal to FV.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			ITGC control area rating		
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**
Unit 4 ERP 7.10	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●

Assessment:

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for assessment

Other findings – internal controls

	Assessment	Issue and risk	Recommendations
1	●	**Cash at bank** • The Barclays bank letter includes Business Premium Account, these are no longer in use and not identified in the TB. There is a risk that cash could therefore be misstated through inappropriate use of these accounts.	• We recommend closing these accounts if they are no longer in use.
2	●	**Revenue** • There is a lack of evidence that demonstrates where the entity has carried out its performance obligation. There is a risk revenue is recognised too early or when the service did not occur. • For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.	• We recommend the entity having the relevant evidence to prove the performance obligation has been met.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment:
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other findings – update on internal control findings issued in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• There is a risk that the VAT return is incorrectly completed as the TB balance does not agree to the year-end VAT return and that items are omitted from the year-end balance.	• The difference between the VAT return and TB in the audited year is trivial and therefore the engagement team consider this control point to be resolved

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Assessment:

✓ Action completed
× Not yet addressed

Adjusted misstatements

There has been no adjusted misstatements in the year.

Unadjusted misstatements

There has been no unadjusted misstatements in the year.

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	• We are not aware of any significant incidences
4	Written representations	• All information and explanations requested from management was provided. • We have requested a specific representation point from Management regarding the non-going concern basis of preparation of the financial statements.
5	Confirmation requests from third parties	• We have obtained confirmations from third parties regarding the year-end bank balances
6	Disclosures	• Our review found no material omissions in the financial statements.

Independence considerations

Grant Thornton

Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for non-audit services charged from the beginning of the financial year to the end of the audit engagement, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

There are no non-audit services provided.

None of the below services were provided on a contingent fee basis. The below fees are exclusive of disbursements, expenses and VAT.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Orbitas Bereavement Services Limited. The table summarises all services which were identified.

Audit Fees	£
Audit of Company	16,000
Total	**16,000**

Grant Thornton do not provide any non-audit services to Orbitas Bereavement Services Limited. As there are no non-audit services, no threats to our independence are present and thus no safeguards are required.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional insights

Grant Thornton

Related Parties: What and why we require information regarding related parties

What information is required?

We require the following information regarding related parties:

a) The identity of **all** the entity's related parties, including changes from the prior period;

b) The nature of the relationships between the entity and these related parties; and

c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

Applying the definition per IAS 24 to entities and people

Related party – Entities?

Includes but is not limited to entities within the same group which means that each parent, subsidiary and fellow subsidiaries are related to the others.
However, the definition is far broader than this, and care is required to identify all related entities.

Related party - People?

Key Management Personnel (KMP), individuals with control, joint control or significant influence over the entity, **and** close members of that person's family.

In group situations, KMP and close family members of the KMP of the immediate parent, any intermediate parent and the ultimate parent of the entity.

Why do management need to maintain related party information?

The entity is required to disclose related party transactions in accordance with the applicable accounting framework. To be able to discharge its responsibility to disclose this information, the entity must be equipped with sufficient processes supported by appropriate accounting records to be able to identify related party transactions for disclosure.

Companies Act 2006 (CA 2006) requires that the Company maintain adequate accounting records

Why we require information regarding related parties?

ISA (UK) 240 (Revised) requires auditors to obtain an understanding of the fraud risk factors, including those arising from related party relationships and transactions to identify and assess the risks of material misstatement due to fraud.

ISA (UK) 550 requires auditors to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in accordance with the accounting framework.

Definition of Related Parties per Accounting Standards

The definition of related parties is similar under IAS 24 and UK GAAP.

A related party is a person or entity that is related to the entity that is preparing its financial statements. Please refer to the full definition in IAS 24 'Related Party Disclosures' paragraphs 9-12 or Section 33 of FRS 102.

A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

a) that person's children and spouse or domestic partner;

b) children of that person's spouse or domestic partner; and

c) dependants of that person or that person's spouse or domestic partner.

Confidentiality and UK General Data Protection Regulation (UK GDPR)

We are bound by the terms of our letter of engagement with you, and by the ICAEW Code of Ethics, to keep all information confidential.

All of our people are required to understand and comply with the provisions of UK GDPR and the Data Protection Act 2018 (DPA). The lawful basis for processing personal information in situations of statutory audit is to comply with a legal obligation. All personal information collected and obtained in held securely and in line with relevant retention policies.

Related Party Information is not provided

Where management does not provide a complete list of related parties or a list is not provided, we may need to modify our audit opinion.

IFRS reporters
New or revised accounting standards that are in effect

IFRS 17 Insurance Contracts	• IFRS 17 is mandatory for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted if IFRS 9 is also applied at the date of adoption or earlier. • IFRS 17 defines an insurance contract based on whether the contract transfers significant insurance risk. Therefore, contracts that meet this definition may be in the scope of IFRS 17 even if they issued by a non-insurer. There are scope exemptions for certain types of contracts. • Detailed transition requirements apply.
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8	• The amendment to IAS 1 is effective for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. • The amendments to IFRS Practice Statement 2 include guidance and two additional examples on the application of materiality to accounting policy disclosures. • The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
IAS 12 narrow scope amendment Deferred tax related to assets and liabilities arising from a single transaction	• The amendments apply for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 12 amendment narrows the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effect of this is that companies will need to recognise a deferred tax asset (DTA) and a deferred tax liability (DTL) for temporary differences arising on initial recognition of a lease and a decommissioning provision. • For leases and decommissioning liabilities, the associated DTA and DTL should be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised in retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
IAS 12 narrow scope amendment International Tax Reform - Pillar Two Model Rules	• This IAS 12 amendment provides companies with a mandatory temporary relief from deferred tax accounting for the impact of the jurisdictional implementation of Pillar Two model rules. The mandatory temporary exception applies immediately and retrospectively (UKEB endorsement date is 19 July 2023). Companies are required to disclose that the relief has been applied. • The amendment also adds disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes. These disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

IFRS reporters
Future financial reporting changes

New IFRS accounting standards effective on or after 1 January 2024

Amendment to IAS 7 and IFRS 7 - Supplier finance

The amendments introduce enhanced disclosure requirements for supplier financing arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendment to IAS 1 - Non-current liabilities with covenants

The amendments clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.

Amendment to IFRS 16 – Lease liability in a sale and leaseback

The amendment specifies how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained.

New IFRS accounting standards effective on or after 1 January 2025

Amendments to IAS 21 - Lack of Exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

IAS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective from **1 January 2027**, with earlier adoption allowed. Comparatives will require restatement.

Environmental, Social and Governance (ESG) reporting

The Financial Reporting Council's (FRC) update to its '2021 Statement of Intent on ESG'*

We draw attention to the FRCs communication News I Financial Reporting Council (frc.org.uk) issued in January 2023 which includes the update ESG Statement of Intent – What's Next (frc.org.uk) as well as the key areas of supervisory focus for 2024/2025.

1. Why are we communicating this to you?

Improving transparency on climate and wider ESG risks and opportunities, and related governance activities and behaviours, is a key priority of the FRC's ESG strategy. Management and Those Charged With Governance should consider the detail of the update, given the prominence placed on this area by the FRC for 2024 and beyond, how it may affect you and the actions that need to be taken.

2. What will the FRC's key areas of focus be in 2024?

The FRC have noted that one of their key areas of focus will be climate related risks, including TCFD disclosures.

They have also noted that their priority sectors are:

- Construction and Materials
- Food Producers
- Gas, Water & Multi-utilities
- Industrial Metals and Mining
- Retail

3. What does the update address?

- Areas where ongoing challenges in ESG reporting remain
- Actions for preparers to produce decision relevant information
- The FRC's plans to engage with the market to ensure that stakeholder needs are met as demand for ESG information continues to evolve

4. What resources relating to ESG reporting and governance do the update include?

To assist in navigating what remains a challenging and evolving reporting landscape, several links are included throughout the update on a wide range of material produced by the FRC.

Note: *The FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. Since then, it has undertaken a significant number of initiatives both in the UK and internationally, to assist and support its wide range of stakeholders and drive best practice in high-quality and comparable ESG reporting and disclosure.

Climate Change – The roles and responsibilities of management

Why do management need to consider climate change?

Climate change is topical for investors and other stakeholders. The effects of climate change are increasingly visible, and it has the potential to impact a growing number of entities of all natures and sizes in various industries. This can be directly or indirectly, e.g., through their supply chain, customer base, financing, insurance and laws and regulations (both global and local).

This has led to growing demand by stakeholders for climate-related information for decision making. Reporting needs to consider both how a company is considering climate-related impacts on its business, as well as the impact the company has on the environment. This, together with the financial statement impact of climate-related considerations now and in the future, provides a key insight for investors and other stakeholders. It helps to understand the future the company faces, and the future it intends to help bring about.

Management's assessment of the potential impact on the entity's financial statements is an area of focus for the FRC. In the 'Annual Review of Corporate Reporting' published in October 2023, they highlighted detailed findings and expectations on corporate reporting. The full report can be accessed at FRC Annual Review of Corporate Reporting 2022/2023.

One of the expectations that the FRC has from companies in relation to financial statements is ensuring that

- Material climate change risks and uncertainties discussed in narrative reporting have been appropriately considered in the financial statements – both the impact on numbers and narrative disclosures
- Narrative reporting is consistent with the financial statements

We encourage management to stay abreast of developments in this area, as guidance and reporting requirements will continue to evolve in the coming years.

What do management need to consider when thinking about climate change?

We ask management to consider the aspects below and while these considerations are not exhaustive, it will be used as part of our audit procedures.

- The climate reporting requirements, directives, or legislation that the entity is required to comply with. See "Summary – current 'climate-related' reporting requirements for companies reporting in the UK" for further detail
- How management identifies and responds to climate related issues. This will include management's process(es) and controls for identifying and responding to the impact of climate change/ climate related issues and risk assessment of climate change to the business

What is our role when considering climate change?

The auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and report on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework. If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this. This requires consideration of factors presenting a potential risk of material misstatement of the financial statements as a result of climate change. Where risks are identified, auditors need to determine an appropriate audit response to determine if they have a material impact on the financial statements.

Summary – current ‘climate-related’ reporting requirements for companies reporting in the UK

	Category of company				
	Small private	Medium private	Large private	AIM	Main markets[5]
Directors’ report	✓	✓	✓	✓	✓
• SECR report			✓	If large	✓
• Stakeholder engagement			✓	If large	✓
Strategic report[1]		✓	✓	✓	✓
• s172 statement [6]			✓	✓	✓
• Environmental matters					✓
• Non-financial and sustainability information statement (‘TCFD’)[2]			> 500 employees and > £500m turnover	> 500 employees	> 500 employees
TCFD report					✓[3]
Viability report					✓
Financial statements [4]	✓	✓	✓	✓	✓

Notes

1. Forthcoming (not yet endorsed in the UK. Decisions on implementation will include any effective date for UK Sustainability Disclosure Standards (UK SDS). The effective date of 1 January 2024 stated in the ISSB standards therefore is not relevant in the context of UK reporting: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
2. For accounting periods starting on or after 6 April 2022
3. The London Stock Exchange (“LSE”) implemented changes to its listing rules, effective from July 29, 2024. The former distinctions between "premium" and "standard" listings for commercial entities have been abolished, replaced by a single category for “equity shares (commercial companies)”. There is a transition (equity shares) category for those entities previously with a standard listing. The recent updates to the LSE's listing rules did not introduce changes to the Task Force on Climate-related Financial Disclosures (TCFD) requirements for entities that were previously standard or premium listed.
4. FRS 102 Factsheet 8 (frc.org.uk), IFRS standards and climate related disclosures IASB and Effects of climate-related matters on financial statements
5. Main Markets include: LSE Main Market, IPSX, The London Metal Exchange, ICE Futures Europe, Aquis Stock Exchange Limited and Cboe Europe Equities Regulated Market
6. All public limited companies (PLC), whether or not they are listed or registered on AIM or whether they meet the size thresholds, are excluded from being small or medium-sized under section 467 of the Companies Act 2006; hence all PLCs need to prepare a section 172 statement.

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (CFD)

Overview

For financial years starting on or after 6 April 2022, mandatory climate-related financial disclosure (CFD) requirements on climate change related risks and opportunities, where these are material, are required. These requirements have been built into the Companies Act.

Entities within scope are:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market and banking companies or insurance companies (Relevant Public Interest Entities (PIEs))
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m
- Traded or banking LLPs which have more than 500 employees

Disclosure requirements

Disclosure requirements include descriptions of governance arrangements, how climate-related risks and opportunities are identified and the actual and potential impacts of the climate-related risks and opportunities identified. This is not an exhaustive list of the requirements.

These disclosures should be given in the Strategic Report in a separate section titled “Non-financial and sustainability information statement”. LLPs should include their disclosures either in the Energy and Carbon Report or, if a Strategic Report is prepared, within that report.

The requirements can be found in here: The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Further guidance on the application of these requirements can be found here:
Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

Financial Conduct Authority (FCA) requirements to make Task Force Climate-related Financial Disclosures (TCFD)

Overview

Entities in scope of the TCFD requirements are required to include a statement in their annual financial report, setting-out whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Where disclosures have not been made, there must be an explanation of why and a description of any steps they are taking or plan to take to make consistent disclosure in the future.

We draw attention to the new listing rules applicable from July 29, 2024, Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules.

These recent updates have not introduced changes to the TCFD requirements and entities that were previously required to make TCFD disclosures will continue to be in scope under their remapped categories.

Entities within scope of the Task Force on Climate-related Financial Disclosures (TCFD) requirements under the new UK Listing Rules (and ESG sourcebook) are:

- All entities within the new "commercial companies" , “International secondary listing”, “Non-equity and non-voting equity shares” and “transition” categories, and the “Certificates representing certain securities (depositary receipts)” category, other than investment entities or shell companies.
- Asset managers and certain asset owners above the £5 billion exemption threshold.

Further Review

We draw attention to FRC communication News Financial Reporting Council issued in July 2023.

The FRC and FCA published two reports which found that listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, but further improvements are needed. These reports can be found here:

The FRC report FRC Thematic review of climate-related metrics and targets July 2023

The FCA report Review of TCFD-aligned disclosures by premium listed commercial companies | FCA

Included in these reports is a full list of areas where companies will need to raise the quality of their disclosures.

The FRC noted that there have been improvements in the reporting of climate-related metrics and targets but there are still areas for further improvement. These include better linkage to risks and opportunities, more transparency and disclosure of how the impact of announced climate-related targets and transition plans have been considered.

Reminder – Companies Act and FCA disclosures

The requirements under the Companies Act (mandatory climate-related financial disclosures) and the requirements under the FCA rules (TCFD) can both apply to entities simultaneously.

The FCA rules apply the TCFD requirements on a “comply or explain” basis. The Companies Act requirements do not have the explain option and compliance is mandatory.

Corporate Sustainability Reporting Directive (CSRD)

Overview

If the group has branches or subsidiaries of a specified size that are trading in EU member states, then those entities will be required to provide extensive sustainability disclosures from 1 January 2025 in the annual reports and accounts of those entities.

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023. Individual EU member states have 18 months from the effective date to incorporate the requirements of the CSRD into their domestic law. While member states cannot deviate from the minimum requirements set out in the CSRD they are able to make a number of elections during this exercise. These include the scoping requirements, the determination of the language that should be used for the sustainability report and permitting assurance to be provided by alternative providers to the statutory auditor.

What are the goals of the corporate sustainability reporting directive?

A key objective of the CSRD is enabling businesses to increase transparency and accountability of their reporting, and give stakeholders insight and guidance through analysis, benchmarking, and auditing. It's also intended to broaden the scope of sustainability management and reporting to include sustainability risks and opportunities. Ultimately, this should encourage businesses to develop a strategy to improve on sustainability.

The disclosure required by the CSRD is extensive. It covers the complete range of sustainability related topics such as climate change, biodiversity, employee working conditions, human rights etc.

Key things to know about the CSRD

Double materiality

Double materiality is fundamental to the new rules. In-scope companies will now have to report on a double materiality basis, identifying sustainability risks and opportunities, and the impact of the company on people and the environment. This means that companies will have to identify both the external impact on society and the environment (impact materiality), as well as the impact on the enterprise value (financial materiality).

Sustainability reporting standards

On 31 July 2023, the European Commission adopted 12 European Sustainability Reporting Standards (ESRS) that underpin the requirements of the CSRD. These standards have become law and will be published in the EU's Official Journal and will apply from 1st January 2024. There is no requirement, unlike the CSRD, for these to be included in the domestic law of EU member states.

Sustainability assurance

The CSRD has a requirement for mandatory assurance for all reported sustainability information. The assurance level commences with 'limited assurance' and over time will increase to 'reasonable assurance' following an assessment as to whether such a level of assurance is feasible for both auditors and entities. This is expected to have been completed by no later than 1 October 2028.

Corporate Sustainability Reporting Directive (CSRD)

Companies that are in scope and first-time application

- Large EU undertakings that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- Large Non-EU entities that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- All other large EU undertakings and EU undertakings that are parents of a large group - Reporting on financial years beginning on or after 1 January 2025
- Listed SME undertakings - Reporting on financial years beginning on or after 1 January 2026, with an optional deferral by two years (to 1 January 2028)
- Non-EU entities with significant activities in the EU - Reporting on financial years beginning on or after 1 January 2028

Size criteria

An EU entity will be a large entity if at least two of the following metrics are exceeded on two consecutive annual balance sheet dates:

- Total assets of €25 million
- Net turnover (revenue) of €50 million
- Average of 250 employees

A listed small or medium-sized undertaking is required to issue a CSRD report in accordance with simplified standards designed specifically for these types of undertakings. Micro-undertakings are exempt from issuing a CSRD report. To be a SME or micro-undertaking, two of the three respective thresholds cannot be exceeded as of the balance sheet date of two consecutive financial years.

	Micro undertakings	Small undertakings	Medium-sized undertakings
Balance sheet total	€450,000	€5,000,000	€25,000,000
Net turnover	€900,000	€10,000,000	€50,000,000
Average number of employees during the financial year	10	50	250

Non-EU entities with significant activities in the EU

Even if it does not have listed securities, a non-EU entity that has significant activities in the EU will be required to provide global consolidated reporting following the non-EU dedicated standards beginning in fiscal year 2028 if:

- Consolidated net turnover (revenue) generated in the EU exceeds €150 million for each of the last two consecutive financial years; and
- Either:
  - at least one entity in the consolidated group within the scope of CSRD is a large undertaking or a listed small or medium-sized undertaking; or
  - at least one branch generated more than €40 million annual net turnover in the EU in the preceding financial year.

Recommended action to take

- Identify which entities in the group are in the scope of the CSRD, taking into account any changes made by member states in their domestic laws
- Identify what information is required to be disclosed by the ESRS and determine how any data gaps will be addressed. This includes comparing new disclosure requirements to the current state
- Undertake a double materiality assessment. This may include policies, KPIs, and targets
- Determine what EU taxonomy* disclosures and KPIs will also need to be reported along with the ESRS disclosures

* The EU Taxonomy is a classification system developed by the European Union (EU) to identify and define economic activities that are considered environmentally sustainable.

Streamlined energy and carbon reporting (SECR)

The SECR framework

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006.

Size Limits	Two out of:
Turnover	>£36m
Balance sheet	>£18m
Employees	>250

Large Limited Liability Partnerships (LLPs), which are already required to undertake energy audits under Energy Savings Opportunities Scheme (ESOS) Regulations also fall within scope of the SECR framework. Companies using 40,000kWh or less energy in the 12 month reporting period are exempt. Public organisations, charities or voluntary bodies fall outside this legislation unless they operate as companies or LLPs and are above the relevant reporting thresholds.

The SECR was developed with the intention of making environmental reporting more consistent and to encourage more businesses to realise the benefits of measuring their environmental performance. Measurement is often the first step in reducing energy and other resource consumption and can assist businesses in gaining a better understanding of these increasingly important environmental challenges.

Group reporting

If reporting at the group level, when making energy and carbon disclosures, information of any subsidiaries included in the consolidation must also be taken into account. However, there is the option to exclude any information relating to a subsidiary which the subsidiary would not be obliged to include if reporting on its own account.

Furthermore, a subsidiary might not be obliged to include the energy and carbon information in its own accounts and reports, if it is included in the group report of a parent undertaking.

What needs to be in the financial statements?

Disclosure requirements include UK energy usage with comparatives, UK scope 1 and 2 greenhouse gas emissions with comparatives and methodology of how the data has been collated and prepared. This is not an exhaustive list of the requirements.

There are also voluntary Scope 3 greenhouse gas emissions disclosures that are encouraged.

A full list of requirements can be found at Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

These disclosures need to be made in the directors' report. Where energy usage and carbon emissions are of strategic importance to the company, disclosure may be included in the strategic report instead of the directors' report.

FRC Thematic Review

In September 2021, the FRC published their thematic review on SECR. The key findings from this review is that more needs to be done to make the disclosures understandable and relevant for users:

- Reports did not always provide sufficient information about the methodologies used to calculate the emissions and energy use information
- It was not always clear which entities were included in groups' SECR disclosures
- More thought is needed about how to integrate these disclosures with narrative reporting on climate change, where relevant, and make them easier for users to navigate
- It was sometimes unclear whether the ratios selected were the most appropriate for the entities' operations
- Disclosures about energy efficient measures did not always clearly describe the 'principal measures' taken by the entity in the current year
- The extent of third party assurance obtained over the SECR information was not adequately explained in most cases

The thematic review report provides a number of best practice examples, along with the expectations of the FRC for good SECR disclosures.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

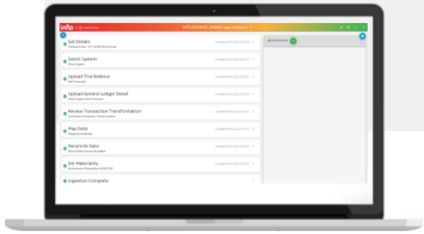
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Cascade

A data analytic tool which visualises every transaction impacting revenue and receivables and highlights those impacting general ledger accounts outside of the normal course of business.

What you'll see

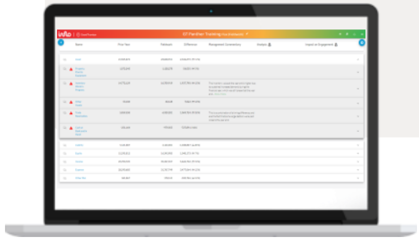
- A visualisation of your revenue process, highlighting potentially unusual transactions
- Significant reduction in sample sizes, but testing focussed where there are potentially unusual transactions

04 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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The Grant Thornton Digital Audit – Open Banking

Using Open Banking, auditors can receive all the details of your banking activity directly from the banks

What is it?

Open Banking is a set of standards and technologies that allows individuals and businesses to share their financial data securely with third parties of their choice. It allows individuals and companies to consent to their banks sharing transactional information directly with specific third parties – for example, with Grant Thornton.

The process can take as little as 15 minutes from requesting your consent to receiving 100%-verified bank transactions in an Excel bank statement.

Grant Thornton's regulated Open Banking provider – Circit Limited – have successfully onboarded over 260 different banking institutions across the world and are adding more all the time.

Grant Thornton has easy to follow 'how to' documents to follow to get you setup and familiarised with this technology.

How will it work?

01 Enable Open Banking in your online banking portal

Ciricit has produced guides with screenshots for the largest UK bank to guide you in providing the required permission for your bank to respond to Open Banking requests.

Depending on your bank, this may be managed using 'roles', 'permissions' or 'authorisations.' Your bank administrator may be required to add these permissions or to approve the change.

If you encounter any difficulties or are unsure how to do this, ask your audit team for assistance.

02 Provide consent to share your transactions

Once you have provided the appropriate permission to your user account in Step 1, you can follow the link in the email from Circit. This will take you to Circit's website where you will be guided through the process of providing consent.

This registers your consent for your bank to share information with Circit. Circit will then make this information available to Grant Thornton for the purpose of your audit.

The benefits of Open Banking

01 Efficiency

First year setup can take as little as 15 minutes and in subsequent years you can securely provide bank data to your auditor in less than a minute.

Once consent is received, then data can be extracted in seconds. Moreover, as the data is direct from the banks, there is no need for audit teams to spend time doing verification procedures.

No more hassle with downloading multiple bank statements in PDF format.

02 Audit Quality

Laborious audit tests can be automated using Open Banking data, letting your auditors focus their attention on the complex and judgmental areas.

03 Security

Open banking is consent-driven technology by design. You control access and can revoke your consent at any time.

The Grant Thornton Digital Audit – Open Banking

Is my data secure?

Open Banking Security

01 Highly regulated
Every participant providing Open Banking services must be regulated by the FCA.

02 Consent Driven
Your data cannot be accessed without your consent, which can be revoked at any time.

03 Connected to your bank
Your security details are never shared with any party other than your bank.

04 Secure APIs
Open Banking is run over rigorously tested APIs with bank-level security.

Circit Security

01 ISO Certification
Circit has ISO 27001 certification.

02 Encryption
All content is encrypted in transit and at rest, with keys safeguarded with FIPS 140-2 Level 2 validated Hardware Security Modules.

03 Secure infrastructure
Multi-layered security powered by Microsoft Azure, with active monitoring of physical data centres, infrastructure, firewalls and operations to protect your data at every level.

04 GDPR
All data processing is GDPR-compliant. Data is not stored outside the European Economic Area or countries deemed to have an 'adequate level of protection' as confirmed by the European Commission (and, hence, covered by the UK's own adequacy regulations).

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Interest audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

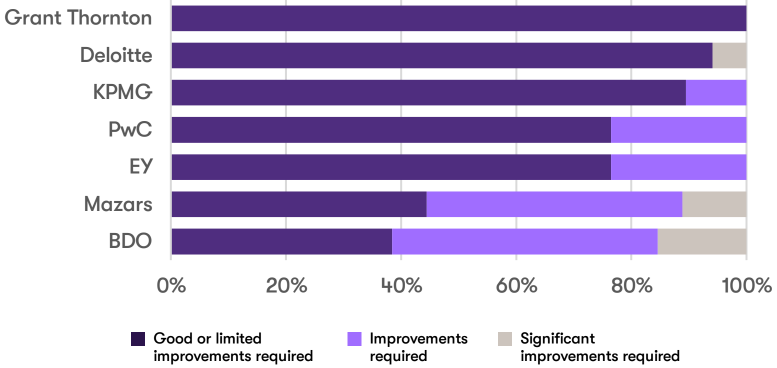
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)

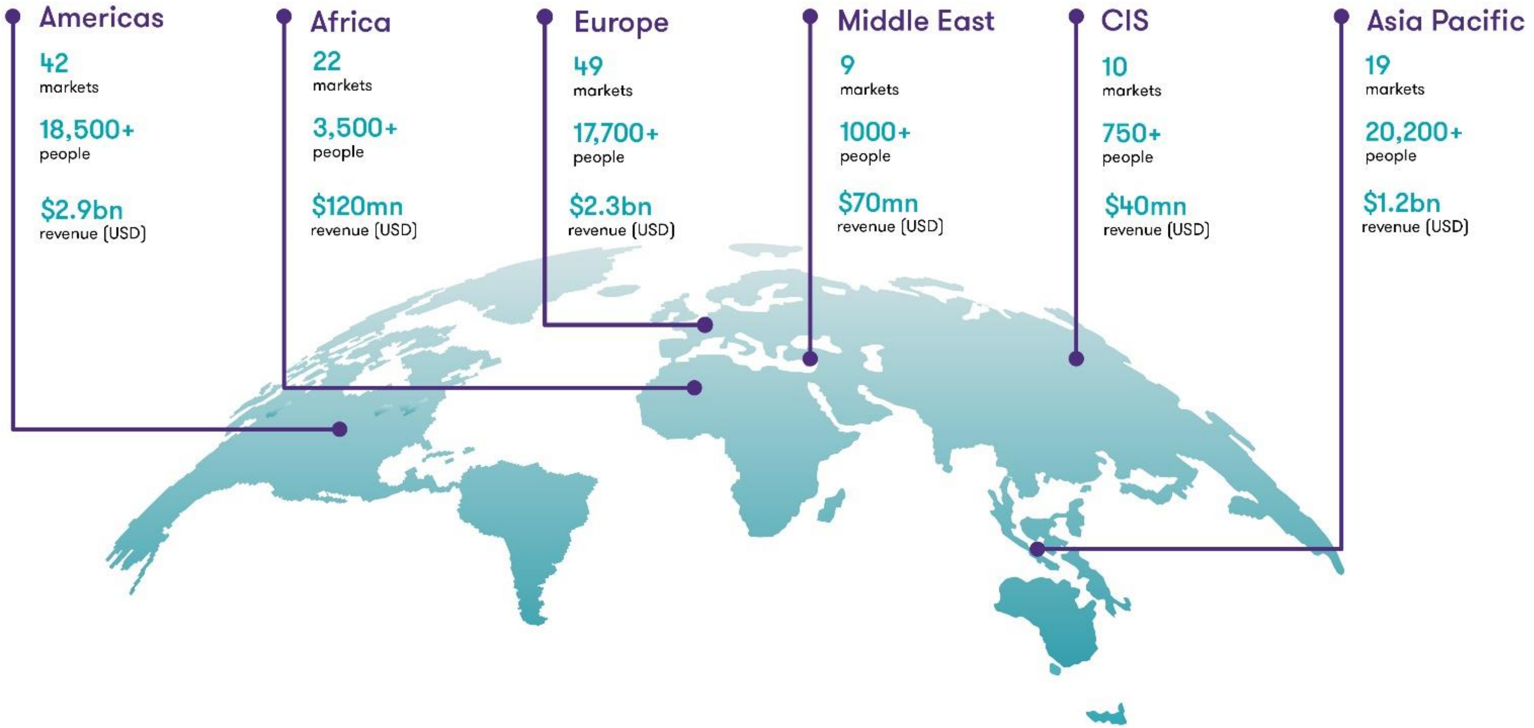


Grant Thornton at a glance

We are the UK member firm of a global network that employs 62,000 people in 140 countries. We combine global scale with local insight and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions.

We go beyond business as usual, so you can too. We make business more personal by investing in building relationships.

Whether you're growing in one market or many, you consistently get a great service you can trust. We work at a pace that matters – yours – bringing both flexibility and rigour. We celebrate fresh thinking and diverse perspectives to bring you proactive insights and positive progress.



27
UK offices

200+
Partners

5,000
UK employees

£570m
Turnover

No.1
Independent nominated adviser of AiM

6th
Largest auditor – FTSE 350

6th
Largest auditor – UK's top privately-held companies

51%
FTSE 100 are non-audit clients

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Appendices

Grant Thornton

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Grant Thornton

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Cheshire East Council

OPEN

Audit and Governance Committee

31 March 2025

Certification of Housing Benefit Subsidy Claim Teachers Pensions Return 2023/24

Report of: Adele Tayor, Executive Director of Resources (s151 Officer)

Report Reference No: AG/37/24-25

Ward(s) Affected: (All Wards);

Purpose of Report

1 The purpose of this report is to present the outcome of the External Auditor's certification process for the 2023/24 Housing Benefit Subsidy claim and the 2023/24 Teachers' Pension End of Year Certificate (EOYC).

2 The report contributes to the Council's objective of being an open and enabling organisation.

Executive Summary

3 The External Auditor's certification process for the 2023/24 Housing Benefit Subsidy claim has concluded with no errors or exceptions identified.

4 The External Auditor's certification process for the 2023/24 Teachers' Pension EOYC has concluded with two error/exceptions identified.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note that as a result of the audit testing of the 2023/24 Housing Benefit Subsidy claim no errors or exemptions were found and no recommendations for improvements were made to the DWP.

2. Note that following the audit of the 2023/24 Teachers' Pension End of Year Certificate two errors/findings were reported to management.

Background

5 KPMG were appointed as external auditors, following a joint procurement with the Greater Manchester Councils, to complete the Housing Benefit (Subsidy) Assurance Process and to certify the Teachers' Pension annual statement of contributions. The contract commenced on 1 April 2019. This is in addition to the main audit of the Council's financial statements which is undertaken by EY LLP.

6 The audit of the Housing Benefits Subsidy Claim was completed in accordance with HBAP Modules 1 and 6 2023/24 issued by the Department of Work and Pensions (DWP).

7 Following the completion of the Housing Benefit Subsidy Claim the auditors reported that no errors or exceptions were found as a result of their testing. In addition, no recommendations for improvements to the Council's claims completion process were made to the DWP.

8 The certification of the Teachers' Pension End of Year Certificate for the year end 31 March 2024 has been carried out in accordance with the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512).

9 The Council is responsible for the preparation and submission of the EOYC and for all corrections prior to submission. Processing of Teachers' Pensions, being part of the Council's payroll, is carried out by the shared Transactional Services, hosted by Cheshire West and Chester Council.

10 Two exceptions were noted, the issues were discussed with managers within Transactional Services in order to resolve the problems and to prevent re-occurrence. Corrections will be made and notified to Teachers' Pensions as necessary.

Consultation and Engagement

11 Engagement with the auditors was carried out by the relevant officers.

Reasons for Recommendations

12 To ensure that Members consider the findings of the certification process.

Other Options Considered

13 Not applicable.

Implications and Comments

Monitoring Officer/Legal

14 There are no legal implications identified.

Section 151 Officer/Finance

15 The audit fees will be met from within the Council's revenue budget.

Policy

16 There are no policy implications identified.

Equality, Diversity and Inclusion

17 There are no equality implications identified.

Human Resources

18 There are no human resources implications identified.

Risk Management

19 The risks associated with the findings of this report relate to a position where the Council may not meet the requirements of the certification process and a financial liability is incurred.

Rural Communities

20 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

21 There are no direct implications for children and young people.

Public Health

22 There are no direct implications for public health.

Climate Change

23 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Paul Goodwin Acting Director of Finance (Deputy S151 Officer) | paul.goodwin@cheshireeast.gov.uk 01270 686185
Appendices:	None
Background Papers:	KPMG report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2024 KPMG Report on agreed upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2024.

OPEN

Audit and Governance Committee

31 March 2025

Internal Audit Plan 2025/26

Report of: Janet Witkowski, Acting Governance, Compliance and Monitoring Officer

Report Reference No: AG/38/24-25

Ward(s) Affected: All

For Decision or Scrutiny: Decision

Purpose of Report

1 The purpose of this report is for the Committee to receive and approve the proposed Internal Audit Plan for 2025/26 (Appendix A). This report supports the Committee's responsibility, as set out in their Terms of Reference, 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.

Executive Summary

2 The preparation and delivery of the annual Internal Audit Plan, annual opinion on the arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement (AGS) are key indicators and contributors for the Council's corporate objectives as an open and enabling organisation.

3 The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which considers the need to produce an annual internal audit opinion. The opinion is a key source of assurance for the AGS which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Approve the Internal Audit Plan 2025/26.
2. Note that the plan details priority work during quarters 1 and 2 along with additional areas for consideration during quarters 3 and 4. Progress against the plan and the priorities for the last 6 months of 2025/26 will be reported back as part of the regular updates to the Committee.

Background

4 All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the PSIAS. The PSIAS state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit Risk and Assurance (as “Chief Audit Executive”) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

5 With effect from 1 April 2025, the Global Internal Audit Standards (GIAS) come into effect and, in response, CIPFA have developed a new Application Note: Global Internal Audit Standards in the UK Public Sector (2025). This accepts the GIAS as the standards for the professional practice of Internal Audit in England in local government. However, the Application Note (2025) makes some minor amendments which are applicable for councils. The Application Note (2025) will replace the PSIAS and the previous Application Note (2013).

6 CIPFA have also issued a Code of Practice for the Governance of Internal Audit in UK Local Government to further support local authorities in implementing the new standards.

7 Whilst the new standards come into effect on 1 April 2025, Internal Audit teams will not be expected to demonstrate full conformance on this date. An action plan, setting out how the Council’s Internal Audit arrangements will be revised to achieve conformance with the standards will be provided to a future meeting of the Committee; this will be presented alongside the results of the external assessment against the Public Sector Internal Audit Standards.

8 The planning process and risk assessment is detailed in Appendix A. The process ensures internal audit resources continue to focus on

areas where assurance provides the most value, particularly during periods of change.

9 For planning purposes, the 2025/26 plan is based on current internal audit resources with adjustments made where necessary to reflect any changes in resource during the year.

10 Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and prioritised accordingly. The proposed risk-based summary internal audit plan for 2025/26 is included at Appendix A.

11 In accordance with the PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team (CLT) has been consulted on the plan prior to presentation to the Committee.

12 The plan will be reviewed and refined during the year. Minor changes to the plan will be agreed by the Head of Audit Risk and Assurance. Any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to CLT and the Audit and Governance Committee.

13 In accordance with the Internal Audit Charter, the Committee is asked to review and approve the proposed internal plan 2025/26. In doing so, Members should consider whether the:

(a) Scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS.

(b) Level of resources in any way limits the scope of Internal Audit or prejudices the ability to deliver a service consistent with the PSIAS.

(c) Level of non-assurance work has an adverse impact on the core assurance work

Consultation and Engagement

14 In preparing the Internal Audit Plan 2025/26, consultation has been undertaken to identify the expectations of senior management, external audit, and other key stakeholders (as detailed in Appendix A).

Reasons for Recommendations

15 The Internal Audit Charter, developed in accordance with the PSIAS requires the production of an annual internal audit plan. The plan sets out the anticipated range and volume of work which is required to deliver the annual internal audit opinion on the organisation's arrangements for governance, risk, and control.

16 The requirement to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference

Other Options Considered

1. No other options are applicable.

Option	Impact	Risk
Do nothing	Failure to provide Audit and Governance Committee with the annual internal audit plan for review and approval	Failure to comply with the Public Sector Internal Audit Standards/ Global Internal Audit Standards in the UK Public Sector.

Implications and Comments

Monitoring Officer/Legal

17 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

18 The guidance accompanying the Regulations recognised that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent "proper internal audit practices". The PSIAS apply to all internal audit service providers within the UK public sector.

19 As previously referred to, consideration will need to be given to the new Global Internal Audit Standards (GIAS) and Application Note: Global Internal Audit Standards in the UK Public Sector (2025) to ensure compliance in 2025/26.

Section 151 Officer/Finance

20 In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.

21 The Internal Audit Plan 2025/26 has been prepared, based on current resources, to cover work required to deliver an annual audit opinion. This will be compared to resource availability as part of implementing the plan and then in monitoring progress against the plan.

22 Should additional capacity be required to undertake areas of specialism, or to support the delivery of the plan, additional resources would be required. This may require procurement of specialist support which would be procured in line with the Council's procedure rules, or through additional capacity to the team being provided.

23 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

Policy

24 There are no direct implications for policy

Commitment 1: Unlocking prosperity for all	**Commitment 2: Improving health and wellbeing**	**Commitment 3: An effective and enabling council** The provision of effective internal audit supports this Commitment.

Equality, Diversity and Inclusion

25 There are no direct implications for equality, diversity and inclusion.

Human Resources

26 The current Internal Audit team comprises an Internal Audit Manager (acting up), 1 Principal Auditor (acting up), 3 Senior Auditors and 2 Auditors equating to 6.3 FTE (full time equivalent).

27 The Internal Audit Manager post continues to be filled through a longstanding acting up arrangement by a Principal Auditor. A Principal

Auditor vacancy also continues to be filled through an acting up arrangement by a Senior Auditor. The substantive Principal Auditor and Senior Auditor posts remain vacant

Risk Management

28 Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment

Rural Communities

29 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

30 There are no direct implications.

Public Health

There are no direct implications for public health.

Climate Change

31 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit Risk and Assurance Email: josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix A – Internal Audit Plan 2025/26
Background Papers:	Public Sector Internal Audit Standards (PSIAS) Global Internal Audit Standards (GIAS) Application Note: Global Internal Audit Standards in the UK Public Sector (2025). The Accounts and Audit Regulations 2015

Internal Audit Plan 2025/26

Audit and Governance Committee 31 March 2025

Open Fair Green

Cheshire East Council

1. Introduction

1.1. This document sets out Cheshire East Council's Internal Audit Plan for 2025/26. It also covers how the service will be delivered and developed in accordance with the Internal Audit Charter and how the plan links to the Council's objectives and priorities.

1.2. The provision of assurance is the primary role for Internal Audit. This role requires the Head of Audit Risk and Assurance as the Chief Audit Executive, to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control (i.e., the control environment).

1.3. The objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Chief Audit Executive to provide an independent and objective opinion to the Council on the control environment and that audit activity focuses on areas where assurance is most needed.

1.4. This plan, detailed in Table 3, has been produced based on the known, current, resource available. In developing the plan, we have looked to recognise the context of strategic and operational change affecting the Council and providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.

1.5. This summary plan has been drawn up on the basis that the control environment and risk profile of the Council will continue to change during 2025/26, and the plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.

1.6. Therefore, the plan identifies the level of resource available for the full year and details the priority work intended to be carried out over the first 6 months. This will allow Internal Audit to be agile in responding to emerging risks and issues.

1.7. Progress updates, consideration of the ongoing priorities for internal audit and where necessary, significant revisions to the plan will be brought back to the Audit and Governance Committee. By working closely with services to regularly assess areas of risk and weakness we will ensure that Internal Audit continues to add value to the organisation in an efficient and effective manner.

2. Responsibilities and Objectives of Internal Audit

2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council that these arrangements are in place and operating properly.

2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) an "independent, objective assurance and consulting service designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

2.3. Internal Audit’s primary function is the provision of assurance. This is delivered through the provision of the annual internal audit opinion, which informs the Annual Governance Statement (AGS) and is based on an objective assessment of the framework of governance, risk management and control.

2.4. Subject to the availability of resources, and there being no impact on the core assurance work, non-assurance work, including fraud related, and consultancy work may be undertaken at the request of the organisation.

2.5. The responsibility for the prevention and detection of fraud rests with management, but the potential for it to occur is considered in each Internal Audit assignment. It is the responsibility of the organisation to create an environment of no tolerance, and ensure adequate controls are in place to prevent and detect fraud.

2.6. The Council’s response to internal audit activity should lead to the strengthening of the control environment and therefore positively contribute to the achievement of the Council’s objectives.

3. Standards, Ethics, and Independence

3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1st April 2017. All Internal Audit work will be delivered in line with the requirements of the Standards.

3.2. All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSIAS. Internal Audit staff are also bound by the requirements of their respective professional bodies, the Council’s Code of Conduct, and must have regard to relevant legislation in the course of undertaking engagements.

3.3. Declarations of Interest in line with the Council’s Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.

3.4. To provide effective assurance on the Council’s arrangements for governance, risk, and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit’s rights of access are outlined in the Internal Audit Charter and the Finance Procedure Rules.

3.5. As the Head of Audit Risk and Assurance as Chief Audit Executive has operational responsibilities for other services, assurance work in this area is reported to the Acting Governance, Compliance and Monitoring Officer or Interim Executive Director of Resources, Section 151 Officer to maintain independence and objectivity.

3.6. With effect from 1 April 2025, the Global Internal Audit Standards (GIAS) come into effect and, in response, CIPFA have developed a new Application Note: Global Internal Audit Standards in the UK Public Sector (2025). This accepts the GIAS as the standards for the professional practice of Internal Audit in

England in local government. However, the Application Note (2025) makes some minor amendments which are applicable for councils. The Application Note (2025) will replace the PSIAS and the previous Application Note (2013).

3.7. CIPFA have also issued a Code of Practice for the Governance of Internal Audit in UK Local Government to further support local authorities in implementing the new standards. Whilst the standards come into effect on 1 April 2025, Internal audit teams will not be expected to demonstrate full conformance on this date.

3.8. Although much of the day-to-day practice of undertaking audit engagements will remain unchanged, internal audit will review current working practices to ensure they comply with the new standards and develop an action plan to achieve that compliance.

4. Planning Methodology

4.1. The planning process undertaken recognises and complies with the requirements of the PSIAS in relation to planning. In accordance with the Standards, the plan is fixed for a period of no longer than one year.

4.2. In accordance with the Charter, the annual Internal Audit Plan for 2025/26 has been developed using a risk-based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan considers the requirement to produce an annual internal audit opinion and the assurance framework.

4.3. The starting point for preparing the plan is to consider the adequacy and outcomes of the Authority's assurance processes, including its risk and performance management arrangements.

4.4. In addition to considering the strategic risk register, further work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan.

4.5. The Internal Audit plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. It is, therefore, presented at a summary level. The plan is monitored regularly throughout the year to ensure that it addresses key areas of risk and emerging issues.

4.6. Internal Audit's own risk assessment considers issues at an organisation, regional and national level as well as the results of previous audit work. The assessment considers materiality, sensitivity, and significance of each. This prioritises areas for inclusion in the plan.

4.7. Factors considered in the risk assessment are listed below,

- Objectives from the Cheshire East Plan 2025-29
- Risks recognised on the Strategic Risk Register
- Items in the current year Plan which are in train at the year end, or need to be rolled forward into the new plan

- Coverage from previous internal audit plans and the outcome of follow up work

- Significant Governance Issues identified in the Council's Annual Governance Statement

- Consultation with key internal stakeholders; Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff

- External stakeholders and other assurance providers; External Audit, Cheshire West and Chester Internal Audit (for Shared Services hosted by this Council), the North-West Chief Audit Executive Group and other inspectorate agencies and providers of assurance

4.8. The plan will be reviewed and refined during the year, to ensure the following processes are considered:

- Outcomes from the Strategic Risk Management Process
- Outcomes from the business/commissioning planning process, including key organisational objectives and priorities and risks to achieving them
- Outcomes from the Annual Governance Statement process
- Continuing consultation with key stakeholders
- The continuing assessment of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources

4.9. In delivering the 2025/26 Plan there will be a need to take account of the following:

- The requirement to use specialists, e.g. ICT or contract and procurement auditors
- Development of the Internal Audit function
- Self-assessment against the Quality Assurance and Improvement Programme (QAIP) and self-assessment against the PSIAS
- Clarification on any requirements for internal audit support to the Council's Alternative Service Delivery vehicles, and any other organisations where the Council acts as host or accountable body
- Consideration of changes required by the introduction of the Global Internal Audit Standards

4.10. Minor changes to the plan proposed by the Internal Audit Manager will be agreed by the Head of Audit Risk and Assurance. Any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion, along with proposals to resolve this issue, will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

5. Key Themes and Outputs

5.1. In developing the plan, we have identified priorities for the first 6 months of 2025-26, this is in line with the approach to the 2024/25 plan and allows for flexibility and responsiveness to new developments.

5.2. These priorities will be subject to review throughout the year thus enabling Internal Audit to respond to emerging risks and issues and continue to add value to the organisation. Changes to the plan will be reported to future meetings of Audit and Governance Committee.

5.3. Key themes within the 2025/26 Internal Audit Plan include:

- Continued assurance around the operation of Key Financial Systems since the introduction of Unit 4, and the limitations of work able to be undertaken by the Council's external auditors on the 2023/24 Statement of accounts
- Assurance around the Council continuing to make progress in managing those areas which offer significant financial resilience challenges, including transformation, SEND and the DSG High Needs Management Plan
- Assurance on the effective and efficient use of resources in key areas of service delivery to residents to support the Council in managing the current financial situation and achieve value for money

5.4. The outputs from the plan fall into two main areas:

Assurance Audits

On completion of an assurance audit an opinion report will normally be issued, in line with the Internal Audit Charter, on the risks and controls of the area under review. The overall opinions used are "Good", "Satisfactory", "Limited" and "No Assurance". Reports are shared with the Council's External Auditors.

The opinions given on individual assurance reports inform the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

Consulting Services

These are advisory in nature and generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should still contribute to the overall opinion.

In some cases, it may not be appropriate or proportionate to provide a full report and opinion. In these instances, advice may be documented by email, or a formal memo or email reference and a short note will be made in the annual report.

5.5. The main areas of the plan that will deliver an opinion on the risks and controls of the area under review and will inform the Head of Audit and Risk's Annual Internal Audit Opinion include:

- Key Financial Systems
- Corporate Core and Cross Service Systems
- Service Specific Systems
- Anti-Fraud and Corruption – Proactive reviews
- ICT Assurance
- Investigations
- External clients

5.6. The main areas of the plan that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion include:

Corporate Governance and Risk

- Support to and co-ordination of the production of the Annual Governance Statement (AGS).
- Attendance at officer working groups such as the Information Governance Group.

Statutory Returns

- Internal Audit may be required, as a stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body.

Anti-Fraud & Corruption

- National Fraud Initiative – results are recorded on the Cabinet Office secure website.

Follow Up

- Monitoring the effective implementation of agreed audit recommendations to provide assurance that improvements in the control environment are being realised.

Advice and Guidance

- The exact nature and scope of any internal audit work is agreed in advance with the manager.

5.7. Other work undertaken by the Head of Audit Risk and Assurance and the Internal Audit Team, but that will not necessarily inform the annual opinion includes:

Corporate Work

- Supporting the Audit and Governance Committee including production of reports
- External Audit liaison
- Support and contribution to corporate initiatives and working groups.
- Regional Collaboration

Anti-Fraud and Corruption and Whistleblowing Reports

- At the request of management, Internal Audit may assist with the investigation of suspected fraud and corruption in response to reports and referrals received under the Council's Whistleblowing Policy
- Awareness raising

- Supporting the production and development of Corporate Policies and Procedures

5.8. In accordance with CIPFA guidance[1] the Head of Audit Risk and Assurance as Chief Audit Executive, should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in.

5.9. In addition, time has been allocated in the plan for the service to be developed and improved.

5.10. Internal Audit also provides services to PATROL[2], as Cheshire East Council is the host Council. Reports on this area provide assurance to the management body of PATROL and do not contribute to the Annual Internal Audit Opinion.

5.11. During the year, Internal Audit may be able to undertake assurance work for other external clients, subject to being able to prioritise the delivery of the annual audit opinion for the Council.

6. Resource and Delivery

6.1. The Internal Audit Plan 2025/26 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. The resources currently available are outlined in Table 1 below:

Table 1: 2025/26 Resource compared to previous years

Audit Year	**2025/26**	2024/25	2023/24
Maximum Days	**1639**	1,587	1,823
Unavailable Working Days *Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave*	**305**	295	347
Available Working Days	**1334**	1,292	1,476
Non-Chargeable Sub Total *Training, Planning, Team Management and Service Development*	**171**	167	177
Chargeable Days	**1163**	1125	1,299

6.2. The current Internal Audit Team comprises an Internal Audit Manager (acting up), 1 Principal Auditor (acting up), 3 Senior Auditors and 2 Auditors equating to 6.3 FTE (full time equivalent).

6.3. The Internal Audit Manager post continues to be filled through a longstanding acting up arrangement by a Principal Auditor. A Principal Auditor vacancy also continues to be filled through an acting up arrangement by a Senior Auditor. The substantive Principal Auditor and Senior Auditor posts remain vacant.

[1] "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010
[2] The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.

6.4. There is a slight increase in the number of chargeable days available for 2025/26 in comparison to the previous year resulting from an increase in working hours within the team.

6.5. The allocation of days to areas of the plan as shown in Table 3 is indicative. During the scoping of individual assignments, auditors will work with relevant managers to refine the risks and controls upon which assurance is required, and the allocation will be amended if appropriate.

6.6. If there is an imbalance between the work plan required to deliver an annual opinion and the resources available, the Audit and Governance Committee will be informed of this, and of proposed solutions. Significant matters which jeopardise the delivery of the plan or require changes to the plan will be identified, addressed, and brought to the attention of the Corporate Leadership Team and the Audit and Governance Committee.

6.7. In further defining the audit plan for delivery, areas of work may be highlighted which the Internal Audit function is not currently sufficiently staffed/skilled to provide assurance on, for example, specialist ICT audits. In these cases, there will be a need to consider procuring external resource to provide the necessary assurance.

6.8. Internal Audit's key priority will always be to deliver the assurance programme of work to provide the Council with an informed annual audit opinion.

7. Progress Reporting

7.1. During the year, Internal Audit will produce interim progress reports for the Audit and Governance Committee, detailing key issues arising from audits and progress made against the Audit Plan. Any significant matters affecting the delivery of the plan or requiring changes to the plan will also be reported to the Committee.

7.2. At the end of the year, an Annual Report, containing the Internal Audit Opinion, is presented to the Audit and Governance Committee to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This will be based on the findings of the work carried out during the year.

8. Quality Assurance and Improvement

8.1. Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.

8.2. The outcomes of this activity are reported to the Corporate Leadership Team and the Audit and Governance Committee, including results of ongoing internal assessments and external assessments conducted at least every five years.

8.3. The external assessment against PSIAS is currently underway and the outcomes will be reported to the Committee upon completion.

8.4. As previously referenced, the PSIAS will be succeeded by the Application Note: Global Internal Audit Standards in the UK Public Sector (2025) with effect from 1 April 2025. An action plan will be developed to ensure full compliance with the new standards and progress will be reported to the Committee

Performance Indicators

8.5. Internal Audit has several existing Performance Indicators that are reported to the Audit and Governance Committee through the year via interim reporting and the Annual Report.

Table 2: Internal Audit Performance Indicators

Performance Indicator	2025/26 Target	2024/25 Actual to date	2023/24 Actual	2022/23 Actual
Percentage of Audits completed to user's satisfaction	95%	100%	96%	96%
Percentage of significant recommendations agreed	95%	100%	100%	100%
Productive Time (Chargeable Days)	85%	86%	89%	87%
Draft report produced promptly (per Client Satisfaction Form)	95%	100%	93%	95%

Collaboration

8.6. The Head of Audit Risk and Assurance continues to participate in the North-West Chief Audit Executive Group, which meets regularly and acts as a discussion group on various local and national developments affecting Internal Audit, Corporate Governance, Risk Management and Counter Fraud. The Group also conducts peer reviews for the required external review of Internal Audit against PSIAS every 5 years.

8.7. The group also has several sub-groups, including Schools, Counter Fraud and Contract Management which are attended and supported by members of the Internal Audit team. These are extremely useful for sharing best practice and learning from colleagues' experiences and provide informal benchmarking opportunities.

8.8. Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits of participation should be to increase the level of assurance available for all partners, to develop strong working relationships and to provide positive learning experiences. Careful consideration is given to the practicalities of undertaking fieldwork and the reporting of findings as part of developing the scope of each engagement.

8.9. Internal Audit work around assurance of the ICT Hybrid Programme (Gemini) has been undertaken with Cheshire West and Chester Council's Internal Audit team during 2024/25 and will continue throughout 2025/26.

Service Priorities

8.10. A key focus for Internal Audit during the year ahead is to continue to develop and embed the follow up process to ensure continued improvement in relation to the implementation of actions. This will be supplemented by a further assessment of whether those actions have achieved the intended improvements to the control environment. In 2025/26 this will include specific areas of detailed follow up work on the Section 106 audit work delivered in 2023/24, as well as "routine" follow up work.

8.11. Reporting regularly to Department Leadership Teams, Corporate Leadership Team and the Audit and Governance Committee on service responses to, and implementation and impact of agreed audit actions is resourced within the audit plan. Concerns over failure to implement actions, or where actions are not deemed to have the required impact on the improvement will influence the ongoing review of planned audit activity.

8.12. A review of our approach to assurance mapping will also be undertaken, in line with the "three lines of defence"[3] model; this can assist in providing oversight and assurance to the organisation that controls and processes are in place and operating effectively.

8.13. All reviews undertaken by Internal Audit will have a focus on the use of resources and opportunities to impact positively on the Council's financial position.

[3] **First Line of Assurance** – functions that own and manage risks, usually areas of service delivery, assurance from performance reporting
Second Line of Assurance – functions that oversee or specialise in the compliance or the management of risk, assurance from monitoring reports
Third Line of Risk – functions that provide independent assurance, such as external or internal audit or other regulatory bodies.

Table 3: Summary Internal Audit Plan 2025/26 including Q1/Q2 Priorities

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
Chargeable Days			**1163**	
Less: Corporate Work			**116**	
Includes: • Corporate Requirements: Corporate Management Duties, Performance Development Review Process. • Corporate Groups and Assurance: Annual Governance Statement, Assurance Framework development and maintenance • Audit and Governance Committee: Committee Support and Administration, Member Liaison, Induction Training and Development.	Activities which the Internal Audit function are required to participate in corporately or have direct responsibility for providing.	• C3: An effective and enabling council • AGS – Governance and Internal Control		
Available Audit Days			**1047**	
Corporate Governance and Risk			**105**	**10**
Includes: • Audit and Governance Committee: Internal Audit reports to Committee. • Support to the continual assessment and development of Corporate Governance • External Audit Liaison	Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion	• C3: An effective and enabling council • SR11: Failure to adhere to agreed governance processes • AGS – Governance and Internal Control		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
• Regional Collaboration - Working with regional internal audit partners • Reviewing corporate and operational risk management arrangements				
Anti-Fraud and Corruption - Proactive Reviews			**31**	**3**
National Fraud Initiative	Statutory requirement – NFI/Responding to fraud trends/Awareness raising.	• C3: An effective and enabling council • SR06: Failure to achieve the MTFS • AGS – Council Funding		
Anti-Fraud and Corruption - Reactive Investigations			**31**	**3**
Specific contingency for reactive investigations in response to demand.	Undertaken/supported as necessary after appropriate risk assessment.	• C3: An effective and enabling council • SR06: Failure to achieve the MTFS • AGS – Council Funding		
Key Financial Systems			**210**	**20**
<u>*Q1/Q2 Priorities:*</u> Accounts Receivable Payroll <u>*Q3/Q4 – likely areas of work*</u> Accounts Payable	To review the processes and controls in place to ensure the monies owed to the council are billed and received promptly and accurately. To provide assurance that the processes and controls in place in relation to payments made to employees are effective and ensure that salary payments are accurate and subject to appropriate deductions. To review the processes and controls in place within Unit 4 for this area	• C3: An effective and enabling council • SR06: Failure to achieve the MTFS • SR11: Failure to adhere to agreed governance processes • AGS – Council Funding • AGS – Governance and Internal Control		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
General Ledger	To review the effectiveness of the controls in place for the management of the general ledger			
Corporate Core and Cross Service			**106**	**10**
Q1/Q2 Priorities Procurement Transformation Programme ERP (Unit 4) Performance Management - Data Quality *Q3/Q4 – likely areas of work:* Budget Monitoring HR Procedures	To provide assurance that the appropriate processes, mechanisms and controls are in place to ensure the council is compliant with the Procurement Act 2023. To provide assurance around the progress made to date and the effectiveness of the programme in achieving the desired outcomes. To provide assurance on the progress of the improvement work on the Council's ERP system (Unit 4) To provide assurance on the availability, suitability and accuracy of the data sets which are used in the Council's performance management framework. To review the effectiveness of the system(s) and processes in place for budget monitoring across the organisation. To review compliance with key policies and procedures.	• C1: Unlocking prosperity for all • C3: An effective and enabling council • SR06: Failure to achieve the MTFS • SR07: Leadership Capacity • SR11: Failure to adhere to agreed governance processes • SR13: Information Security and Cyber Threat • SR14: Business Continuity • AGS – Council Funding • AGS – Governance and Internal Control • AGS – Executive and Wider Leadership Team Capacity		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
ICT Assurance			**30**	**3**
Q1/Q2 Priorities Digital Transformation Gemini Project (joint with CWAC) *Q3/Q4 – likely areas of work:* ICT Security	 To provide assurance around the progress made to date and how the programme will impact on the council's protocols, policies and procedures. To provide ongoing assurance in relation to the progress and controls in relation to the project including ongoing support to future phases up to full separation. To provide assurance that the appropriate processes, mechanisms and controls are in place. It is likely that specialist resource will be required to undertake this work.	• C3: An effective and enabling council • SR13: Information Security and Cyber Threat • AGS – Governance and Internal Control		
Adults, Health, and Integration			**115**	**11**
Q1/Q2 Priorities Implementation of new charging policy Direct Payments *Q3/Q4 – likely areas of work:* Deprivation of Liberty Standards Commissioning	 To provide assurance that the policy has been implemented effectively and achieved the anticipated outcomes. To provide assurance around the effectiveness of the systems and processes in place to ensure direct payments are well managed and controlled. To provide assurance that the processes and controls in place are effective and comply with best practice. To review the processes and controls in place for commissioning and in particular ensuring compliance with the Procurement Act 2023	• C2: Improving health and wellbeing • SR01: Increased Demand for Adult Services • SR02: Fragility and failure in the social care market • AGS – Health and Social Care Integration • AGS – Partnership Working		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
Children's			**115**	**11**
<u>*Q1/Q2 Priorities:*</u> DSG Management Plan Care Leavers *<u>Q3/Q4 – likely areas of work:</u>* Commissioning SEND Schools Programme	To review progress made against the recovery plan and its achievability moving forward. To provide assurance that the systems and processes in place in relation to Care Leavers are well managed and controlled ensuring that the Council fulfils its responsibilities. To review the processes and controls in place following the changes made to children's commissioning. To review the systems and processes in place to effectively manage the SEND provision and ensure that the Council fulfils its responsibilities. To carry out thematic reviews on a sample of schools to satisfy the DfE's annual assurance statement requirements	• C1: Unlocking prosperity for all • C2: Improving health and wellbeing • SR03: Complexity and demand for Children's Services • SR04: Dedicated School Grant Deficit • SR05: Failure to protect vulnerable children • SR19: Delivery of the ILACS Improvement Plan • SR20: SEND inspection • AGS – Children's Response to Ofsted Inspection • AGS – Council Funding		
Place			**105**	**10**
<u>Q1/Q2 priorities:</u> ANSA/Orbitas in-sourcing Capital Programme	To provide assurance around the effectiveness of the arrangements to bring Ansa/Orbitas back under the control of the Council. Internal Audit reports commissioned whilst operating as WOC will also be considered. To provide assurance that appropriate systems and controls are in place to manage the review,	• C1: Unlocking prosperity for all • SR15: Capital Projects (Place) • SR17: CEC Carbon Neutral Status • SR18: LPA Modernisation Plan • AGS – ASDV Governance • AGS – Council Funding		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
  Devolution *<u>Q3/Q4 – likely areas of work:</u>* S106 Follow Up Highways	monitoring, delivery and reporting of the Capital Programme. Exact area of assurance will be developed with the ED Place To provide assurance that the systems and processes in place to manage s106 agreements are embedded and effective following the No Assurance audit report issued in 2023/24. To provide assurance around the systems and processes in place to ensure the contract is managed effectively	• AGS – Planning • AGS – Partnership Working		
Providing Assurance to External Organisations			**31**	**3**
Includes: PATROL *Other organisations may request assistance in year, subject to available resource*	 Provide assurance in agreed format, similar to former Small Bodies Annual Return	• Host Authority arrangement		
Advice and Guidance			**42**	**4**
Provision of ad-hoc advice and guidance to services.	Add value and improve overall governance, risk management and control processes within the organisation.	• *This could cover any/all Corporate Commitments Strategic Risks and AGS Significant Issues*		
Other Chargeable Work			**126**	**12**
Includes: Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions.	 Specific requests from services Follow up implementation of recommendations, including further testing or additional work where necessary.	• *This could cover any/all Corporate Commitments Strategic Risks and AGS Significant Issues*		

Audit Theme/Area *Identified Key Areas*	**Context**	**Drivers** ***Corporate Commitments, Strategic Risks and AGS Significant Governance Issues***	**2025/26 Planned Audit Days**	**2025/26 Planned %**
Total Audit Days			**1047**	**100**

OPEN

BRIEFING REPORT

Audit and Governance Committee

31 March 2025

School Catering – Decision of Children and Families Committee

Report of: Janet Witkowski Acting Governance, Compliance and Monitoring Officer

Report Reference No: AG/38/24-25

Purpose of Report

1 This report responds to the concerns raised by the Committee regarding the decision taken by the Children and Families Committee in relation to school catering, the governance process this had followed, and its subsequent impact on the Adults and Health Committee.

Executive Summary

2 This report sets out the timeline and process followed in relation to the decision taken by the Children and Families Committee to end the Council's provision of school catering and its impact on those matters within the remit of the Council's Adults and Health Committee, in particular the provision of catering within its Extra Care housing facility at Oakmere and Willowmere. It further sets out the findings and conclusions of the Monitoring Officer on that process.

3 Having reviewed the process and governance arrangements, the Monitoring Officer is of the opinion that the matter should have been formally reported to the Adults and Health Committee at some point as part of the decision-making process. This did not happen and whilst this does not mean the decision was unlawful or that there was maladministration, as a decision was not made outside of its remit, assurance is required that this will not happen again.

4 Arrangements are now in place to reduce the risk of such an occurrence in the future.

Background

5 At the December 2024 meeting of the Committee, questions were raised as to the decision-making process followed in relation to the decision taken by the Children and Families Committee to end the Council's provision of school catering and its impact on those matters within the remit of the Council's Adults and Health Committee, in particular the provision of catering within its Extra Care housing facility at Oakmere and Willowmere. The Monitoring Officer (MO) made a commitment to review the process followed and report back to the Committee.

6 During the review undertaken, the MO noted the following;

(a) 11 July 2022 – Children and Families Committee received a report entitled 'School Catering Service: External Review.' The minutes from that meeting record the following:

Minutes:

The committee received the report which outlined a commissioned review into the Cheshire East schools catering service.

Members put forward a number of comments they wished to be considered, including:

- *The importance of using local producers*
- *Ensuring good quality food in schools, particularly due to the cost of living crisis*
- *Ensuring the availability of free drinking water*
- *Offering separate vegetarian and vegan options instead of providing only vegan as a 'catch all'*

RESOLVED:

That the committee:

1. Notes the external commissioning of a review of the schools catering service through APSE which will take place during the autumn term 2022.

2. Notes that the outcomes of this external review are shared with committee in January for consideration of the future delivery model for the schools catering service.

The report at paragraph 6.2 stated:

In addition, it provides commissioned catering services to 2 adult care homes.

(b) 12 February 2024 – Children and Families Committee received a report entitled ‘Future Options for School Catering’. The published minutes from that meeting record the following:

The committee received the report which set out the findings in relation to the options, risks and issues for the future delivery of the catering service to remove the current subsidy from the Council. The report sought a decision from members on the future delivery of this service.

Some members were concerned that they did not have enough information at this stage to support the recommended option, as set out in the report, to cease Cheshire East’s catering service and that they would need to hear the views of the schools before making a decision. Officers gave assurances that there had been ongoing discussions with schools since July 2023 and extensive work had been undertaken before presenting the recommendations to committee. A view was expressed that a decision could not be made based on the current information available to members and that there should be further consultation with schools and partners, with this being fed back to committee at the earliest opportunity.

An amendment was moved and seconded which sought to vote only on recommendation b) as set out in the report (to approve the proposal to enter into discussions with those schools who buy into the service to cease the provision by the end of December 2024, if possible) and remove recommendations a), c), and d). This was carried by majority.

RESOLVED (by majority):

That the Children and Families Committee approve the proposal to enter into discussions with those schools who buy into the service to cease the provision by the end of December 2024, if possible.

The report at paragraph 20 stated:

The Extra Care housing service currently use the school catering team to provide food in two locations (Oakmere and Willowmere). These operations are currently subsidised by adults social care. Separate discussions are ongoing with adult services, who are currently exploring options in relation to the provision of this catering service.

(c) 27 February 2024 – full Council approved the Medium Term Financial Strategy (MTFS) for 2024/25 to 2027/28, which included at Appendix C, item 16 on page 54;

Remove school catering subsidy.

No reference was made in the narrative to the catering provisions within the Extra Care housing service.

(d) 29 April 2024 – Children and Families Committee received a report entitled ‘Decision on the Future Delivery of the School Catering Service’. The published minutes from that meeting record the following:

The committee considered the report which detailed the impact of the proposal to cease the delivery of Cheshire East’s catering service and sought a decision to cease trading from April 2025.

A concern was raised regarding the recent reduction in the provision of milk to school pupils to once per week. It was noted that this was not a statutory service and that the obligations were with the school and not the local authority. It was requested that any potential legal implications be looked into further following the meeting as this did not impact the decision being made.

An amendment was moved and seconded which sought to defer the report to a later meeting. A vote was carried out and the amendment was declared lost.

RESOLVED (by majority):

That the Children and Families Committee:

1. Consider the findings from the survey to schools and endorse the council’s response as set out at Appendix 1

2. Approve the proposal to cease trading Cheshire East’s catering service by April 2025

3. Delegate authority to the Executive Director of Children’s Services to make all necessary arrangements for the council to cease trading the catering service.

The report at paragraph 7(f) stated:

Separate discussions are ongoing with adult services in relation to the Extra Care housing service who currently use the school catering team to provide food in two locations (Oakmere and Willowmere).

(e) 15 May 2024 – full Council approved amendments to the Council's Constitution which included changes to Chapter 2 Part 2 paragraph 3, to read as follows;

Where a matter covers more than one Committee's Terms of Reference or there is any lack of clarity, dispute or disagreement as to which is the appropriate committee on:

- *Whether something falls within a Committee's Terms of Reference; or*
- *A proposed course of action;*

The matter shall, in consultation with the relevant Committee Chair, vice chair and main opposition group member, be placed on the agenda of the Committee where the majority of the matter, report or recommendations/s fall within a particular Committee's terms of reference or where there is the greatest impact on the budget for which the Committee has responsibility ('the majority committee'). Prior to the matter being placed on the agenda, the report on the matter will be circulated to the non-majority committee members ('the minority committee') for comments, which will be provided by way of a verbal update to the majority committee, when the matter is presented. The Chair or any other member of the minority committee may attend that meeting to speak on the item and the Chair of the majority committee will exercise their discretion in favour of allowing them to do so, subject to time constraints and the effective conduct of the meeting. In the event of a failure to agree to the matter being placed upon the agenda of the majority committee, the matter will be placed upon the agenda of the Corporate Policy Committee (or full Council if more convenient) to resolve. This provision shall also apply to matters referred from external bodies and/or partners.

(f) 20 January 2025 – Adults and Health Committee received a report entitled 'Future Options for Extra Care Catering'. The published minutes from that meeting record the following:

The Committee considered a report which updated the Adults and Health Committee on the actions taken in respect of the Extra Care catering provision, from Mark Lobban, Interim Director of Commissioning.

Members thanked the public speaker for attending and speaking on behalf of the Oakmere Resident's Association.

Members were updated that the review into the catering provision would be concluded by September 2025, and in the meantime communal spaces would not be closed, the 24/7 staff would continue to operate in the extra care housing schemes, and the Communities Team would *continue working to secure alternative provisions in consultation with the residents.*

Members acknowledged that a further review was required to be carried out and raised concerns surrounding the current interim lack of provision for hot meals at weekends, as reported by the public speaker, that residents were having to reheat meals which were being delivered from external premises, and that this was not a long-term solution. Members also raised concerns as to whether the existing kitchen equipment would be retained, and the impact on both physical and mental health of a nutritious hot meal in a communal environment, to those who were vulnerable in the community.

It was noted that the cost of providing an alternative provision at Oakmere and Willowmere would be in the region of £60,000/year, and the Council's subsidy would only cease if a long-term solution was found. Any interim service would provide the same service and volume of meals as previously received. Cheshire East Council would continue to ensure that meals were provided, but how it was done would be at the discretion of the Council.

It was noted that a further review of the catering provision, and investigation into the decisions made, would come back to the Adults and Health Committee in September 2025 for a final decision.

An amendment to recommendation 2 was proposed by Councillor Gardiner and seconded by Councillor Clowes:

2. Agree the interim arrangements that have been put in place, subject to a review of the weekend and Bank Holiday arrangements, whilst a full review of the EC catering provision is carried out.

RESOLVED: (Unanimously)

That the Adults and Health Committee:

1. Acknowledge the actions taken since the decision to close the school meals service.

2. Agree the interim arrangements that have been put in place, subject to a review of the weekend and Bank Holiday arrangements, whilst a full review of the EC catering provision is carried out.

Findings and Conclusions

7 Based upon the information set out within the timeline above, it is clear that during the period from July 2022 to April 2024, consideration of the provision of school catering and the decision to terminate it, was

considered solelyby the Children and Families Committee. That was a decision within that committees remit and within the budget provision overseen by that committee.

8 On each occasion it was considered by the Children and Families Committee, members were sighted, albeit in brief terms, on the potential impact on the Extra Care housing catering facility. However, no decision was asked of or made by that committee on that matter, as that matter was and is not within that committees' remit, as it is a matter within the remit of the Adults and Health Committee .

9 The decision of Council to remove the subsidy in February 2024 did not make reference to the Extra Care housing catering facility and unless Elected Members outside of Children and Families Committee read the reports and minutes of that committee, they would not be aware of the decision to consider and subsequently terminate the school catering provisions. Nor would they have been aware of the potential impact on the Extra Care housing catering facility.

10 However, it was clear from the reports to Children and Families Committee and indeed the MTFS report, that the decisions requested by officers and subsequently made, only related to schools and not the Extra Care housing catering facility. The reports all clearly stated that this provision was still the subject of ongoing consideration.

11 In January 2025 a report did go to Adults and Health Committee when a decision was made regarding a review of the Extra Care housing catering facility, in light of the decision of Children and Families Committee. This report does note that the matter should have been placed before that committee earlier.

12 In conclusion, whilst it is accepted that a full report should have gone to Adults and Health Committee at an earlier opportunity, as the Extra Care housing catering facility was a matter within its remit and it is right that members of that committee should have been sighted, the failure to do so was not unlawful or improper. The decision regarding school catering was within the remit of Children and Families and that committee made the decision solely on the school catering facility and not the Extra Care catering facility. No decision was therefore made on that facility by the Children and Families Committee and as such no decision was made outside of its remit. The subsequent report in January 2025 did appropriately go to Adults and Health Committee and did indicate the error that had been made in not advising the committee about the matter at an earlier juncture. It is also only at that time when a formal decision was required on that provision and that did go to the correct committee, as the Extra Care catering clearly sits within that committee's remit.

Future Assurance

13 The Committee will note that during the timeline set out above, amendments have now been made to the Constitution, to deal on a more structured and formal basis with matters that fall within the remit of more than one committee. It is proposed that consideration is given to amending this further to include where matters also impact matters within another committees remit as in this case.

14 In addition, the Improvement Action Plan arising from the Corporate Peer Review does have a specific recommendation around report writing. As a result there is currently an officer task and finish group undertaking a review of all aspects of report writing and the guidance around this will include information to both alert and assist officers in dealing with issues such as this in the future. It will also direct report writers to the MO or Legal Services in cases of any doubt or if advice or guidance is required. Formal on-line training on all the new materials and report writing in general is being developed for all officers and information on the new guidance will be circulated shortly to all senior officers, will be the subject of communication messaging and additional instructions particularly to lawyers in Legal Services. The revised report template for committee meetings will also include information on this if relevant.

Implications

Monitoring Officer/Legal

15 The legal and governance implications are set out within the report.

Section 151 Officer/Finance

16 There are no financial implications arising from the report.

Policy

17 Whilst there are no direct policy implications arising, the new guidance and support to officers will be implemented in due course.

Unlocking prosperity for all	Improving health and wellbeing	An effective and enabling council
N/a	N/a	The outcome and proposals to deal with the issues outlined with improve decision

		making going forward.

Equality, Diversity and Inclusion

18 There and no equality implications arising from this report.

Human Resources

19 The human resources implications of this report are identified in relation to ongoing support guidance and training. These will be dealt with in due course.

Risk Management

20 There are no risk management implications arising from this report, but assurance can be given as to the decision making and proposals for ensuring no recurrence in future as identified within the report.

Rural Communities

21 There are no implications to rural communities arising from this report.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

22 There are no implications to children and young people, and cared for children, arising from this report.

Public Health

23 There are no public health implications arising from this report.

Access to Information	
Contact Officer:	Janet Witkowski Acting Governance, Compliance and Monitoring Officer Janet.witkowski@chechireeast.gov.uk
Appendices:	N/a

Background Papers:	Agenda for Children and Families Committee on Monday, 11th July, 2022, 2.00 pm | Cheshire East Council Agenda for Children and Families Committee on Monday, 12th February, 2024, 2.00 pm | Cheshire East Council Agenda for Council on Tuesday, 27th February, 2024, 11.00 am | Cheshire East Council Agenda for Children and Families Committee on Monday, 29th April, 2024, 2.00 pm | Cheshire East Council Agenda for Council on Wednesday, 15th May, 2024, 11.00 am | Cheshire East Council Agenda for Adults and Health Committee on Monday, 20th January, 2025, 10.00 am | Cheshire East Council

 Agenda Item 12

OPEN

Audit & Governance Committee

31 March 2025

Bi-Annual Update on Information Requests

Report of: Janet Witkowski, Acting Governance Compliance and Monitoring Officer

Report Reference No: AG/35/24-25

Ward(s) Affected: All

For Decision or Scrutiny: Scrutiny

Purpose of Report

1 This report provides a six-month update on information requests received under relevant legislation which was requested by Committee on 30 September 2024.

2 This report is produced in accordance with the requirements of the Constitution and the committee's terms of reference which state that: Audit & Governance Committee are to consider the Council's corporate governance arrangements against the good governance framework, including the ethical framework, local code of governance, and annual governance reports and assurances.

Executive Summary

3 It is a statutory obligation to comply with information rights legislation, including the Freedom of Information Act 2000 (FOIA), Environmental Information Regulations 2004 (EIR), Data Protection Act 2018 (DPA) and UK General Data Protection Regulation (GDPR). These pieces of legislation provide different rights of access to information held by the Council and there are different statutory timescales for responding.

4 This report provides the Committee with a summary of the requests for information, and compliance with those requests, received in the period 1 April 2024 – 30 September 2024, being six months following the annual report presented to Committee in September 2024.

5 The number of requests under FOI/EIR continued to increase at a rate of 14%, and compliance dropped slightly from 90% to 88%. This is primarily due to the increased number and complexity of requests received.

6 Requests made under DPA/GDPR did not increase in the first half of 2024-25 compared to the same period the previous year; they reduced by 2%. Compliance improved from 81% to 85%. Full year details will be provided in the annual report to Committee later in the year.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note the update provided on information requests.

2. Identify any further briefings which may support the committee's understanding of the information provided.

Background

7 The report to Committee in September 2024 entitled Information Governance – Review of 2023/24 provided an update on the Council's arrangements for information management, information security, and requests for information received under relevant legislation during 2023/24.

8 The report indicated a significant increase in requests for information from 2022/23 (19% in FOI/EIR requests and 47% in DPA/GDPR requests). Despite overall compliance remaining at an acceptable level (90% for FOI/EIR requests and 87% for DPA/GDPR requests), it was highlighted that, considering the Council's ongoing fiscal challenges, a further increase in FOI/EIR requests was anticipated for 2024-25. The Committee agreed that it was important to monitor this and agreed that bi-annual updates would be helpful.

9 **FOI/EIR Requests**

The Information Rights Team manage and process all requests for information that come into the Council. The number of FOI/EIR requests received in the first six months of 2024-25 compared to the same period in the previous three years is shown in the table below. There has been an increase in requests year on year although the percentage increase for the same period is variable. If the increase continues at 14%, the total number of requests received in 2024-25 could reach 2077 compared to 1943 in 2023/24.

1 April – 30 September (Q1-Q2)	Requests Received	Completed on Time	Compliance	Percentage increase on same period in previous years
2021-22	697	678	97%	22%
2022-23	766	690	90%	10%
2023-24	833	749	90%	9%
2024-25	948	836	88%	14%

10 FOI/EIR performance by directorate is detailed here.

Directorate	Q1-Q2 2021-22	Q1-Q2 2022-23	Q1-Q2 2023-24	Q1-Q2 2024-25
Corporate	222	228	217	235
Compliance	97%	90%	95%	90%
Place	283	326	403	496
Compliance	97%	88%	86%	85%
Adults Social Care	69	84	80	76
Compliance	98%	87%	98%	96%
Children's Services	100	126	133	141
Compliance	99%	98%	88%	90%
Cheshire East Overall	697	766	833	948
Compliance	97%	90%	90%	88%

11 The Place directorate receives a much higher volume of requests compared to other directorates. This is likely due to the topics of public interest and the difficult decisions being taken in terms of increased parking charges, HWRC closures, highways etc and complex enquiries relating to planning applications.

12 The most common requests received by Corporate include financial information, contracts and procurement and salaries and expenses. Children's requests mainly relate to Children Looked After, SEND and EHCPs with the majority of requests for adults relating to safeguarding.

13 Most FOI and EIR responses are routinely published in the Council's FOI Disclosure Log, in an effort to reduce the burden of repeat requests and responses. The Information Rights Team also work with services to encourage proactive publication of information and refer requesters to website locations to assist in reducing requests and improving customer relations.

14 Requesters can ask for an internal review if they are not satisfied with a response to their FOI/EIR request. The number of requests for internal reviews dropped by 27% and compliance improved (see table below). This is a positive position and demonstrates improved initial responses that might otherwise cause requesters to seek an internal review.

1 April – 30 September (Q1-Q2)	Internal Review requests received	Completed on time	Compliance	Percentage increase on same period in previous years
2021-22	37	35	94%	19%
2022-23	50	42	84%	35%
2023-24	56	50	89%	12%
2024-25	41	40	97%	-27%

15 Requesters who remain dissatisfied with the outcome of an internal review, have the right to make a complaint to the Information Commissioner's Office (ICO). The number of complaints to the ICO relating to FOI/EIR responses remained steady and still extremely low when considered against the overall number of requests received.

Outcome	Q1-Q2 2021-22	Q1-Q2 2022-23	Q1-Q2 2023-24	Q1-Q2 2024-25
Complaint not upheld	1	0	2	3
Complaint upheld	2	1	1	1
Complaint withdrawn	2	2	0	0
Informally resolved	0	0	0	0
ICO Complaints received	5	3	3	4

16 This, again, shows a positive position in that very few FOI/EIR responses are escalated to the ICO.

17 **DPA/GDPR Requests**

For the purposes of this report, the details below relate to the number of Subject Access Requests (SARs) received under DPA/GDPR. Whilst other requests for information are made under data protection legislation by other agencies such as the police, disclosures are made on a discretionary basis under one of the relevant GDPR exemptions. Therefore, there is no statutory duty to comply.

18 The number of SARs received in the first half of 2024-25 was slightly less than the same period the previous year and compliance continued to improve.

1 April – 30 September Q1-Q2	SARs Received	Completed on Time	Compliance	Percentage increase on same period in previous years
2021-22	99	49	50%	-6%
2022-23	109	67	61%	10%
2023-24	177	146	81%	62%
2024-25	174	149	85%	-2%

19 Children's Services receive more SARs than any other directorate in any given period. They mainly consist of requests from care leavers wishing to access their records from when they were in care and parents of children with EHCPs. Compliance improved; however, it should be noted that delays in dealing with SARs are caused by the complex and voluminous nature of the records. Information gathered can create thousands of pages of information, which must be carefully reviewed and redacted before it is released to the requester.

20 The statutory timescale for responding to SARs is one calendar month. In certain cases, the GDPR allows the deadline to be extended by up to an additional two months, for example where a request is complex.

21 The number of complaints received regarding alleged infringements of data protection legislation, some of which result in complaints to the ICO, continued to be in single figures. Reasons for complaints primarily relate to an alleged breach of confidentiality or the handling of a SAR.

22 The Information Rights Team manages an effective information requests process and provides support and advice to service departments enabling them to respond to requests in a timely manner.

Consultation and Engagement

23 It has not been necessary to consult on the contents of this report.

Reasons for Recommendations

24 This report provides assurance to Committee on the adequacy of the Council's arrangements for information requests received under relevant legislation during the period April – September 2024. The report supports the corporate objective of being an open and enabling organisation.

Other Options Considered

25 Not applicable as report is for information and assurance.

Implications and Comments

Monitoring Officer/Legal

26 Information Governance lies within the remit of the Audit & Governance Committee. The Council must comply with relevant legislation relating to information rights requests, including the UK General Data Protection Regulation (UK GDPR), Data Protection Act 2018, Freedom of Information Act 2000 and Environmental Information Regulations 2004.

27 Failure to comply with information rights law can attract enforcement action by the Information Commissioner's Office (ICO). This can include a financial penalty of up to £17.5million for non-compliance with UK GDPR, a public reprimand, an enforcement notice to take particular action, or a decision notice. Any of these actions would cause reputational as well as financial damage to the Council.

Section 151 Officer/Finance

28 There are no direct additional financial costs arising from this report other than in the event of non-compliance. As indicated in the previous paragraph, failure to comply with the UK GDPR and information rights legislation can attract enforcement action by the ICO including a financial penalty.

29 A financial penalty would impact significantly on the Council's budget/Medium Term Financial Strategy (MTFS).

Policy

30 There are no policy implications directly arising from this report.

Equality, Diversity and Inclusion

31 There are no equality, diversity or inclusion implications arising from this report.

Human Resources

32 There are no human resources implications arising from this report.

Risk Management

33 Inadequate and delayed responses can present challenges which could affect the level of compliance or cause financial or reputational damage to the organisation. The measures and mitigations set out in this report describe how these risks are managed across the organisation.

Rural Communities

34 There are no implications affecting rural communities arising from this report.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

35 Management and protection of information is essential to ensure the right levels of care are given to those residents that require it, and to ensure that accurate records are maintained and supplied in a timely manner when requests for that information are received.

Public Health

36 There are no public health implications arising from this report*.*

Climate Change

37 There are no climate implications arising from this report.

Access to Information	
Contact Officer:	Julie Gibbs, Information Rights Manager (DPO) julie.gibbs@cheshireeast.gov.uk
Appendices:	None
Background Papers:	Report to Audit & Governance Committee 30 September 2024 – Information Governance – Review of 2023/24

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Audit and Governance Committee
Work Programme 2025-26

Report Reference	Audit & Governance Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Cheshire East Plan Commitment	Part of Budget and Policy Framework	Exempt Item
May 2025									
AG/04/25-26	29/05/25	Risk Management Report 2024-25	This report provides the committee with an update on risk management activity during 2024-25.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	Yes in part
AG/08/25-26	29/05/25	Audit and Governance Committee Self-Assessment	Outcome of the Committee's self-assessment against the CIPFA standards for Audit Committees - this may lead to other reports for information or decision, for example, examining the Terms of Reference of the Committee.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	No
AG/09/25-26	29/05/25	Recruitment of Co-opted Independent Members	This report will seek direction from the Committee with regard to the recruitment of a co-opted independent member as the four year period of one of the co-opted members, ceases in April 2026.	Governance, Compliance and Monitoring Officer	No	No	Effective and enabling council	No	No
July 2025									
AG/04/25-26	28/07/25	Annual Complaints and Compliments Report 2024-25	To receive an update on complaints, compliments and customer contact for 2024-25.	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	No	No
AG/07/25-26	28/07/25	Final Outturn and Draft Statement of Accounts 2024/25 (Audit & Governance Committee)	The purpose of this report is to present the pre-audited overview of the Council's Outturn and the draft Statement of Accounts for 2024/25. Members are being asked to note the financial performance of the Council. The report also provides confirmation that the accounts will be published on the Council's website. The report provides committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	Yes	No

Audit and Governance Committee
Work Programme 2025-26

AG/10/25-26	28/07/25	Draft Annual Governance Statement 2024-25	This report will provide the committee with the draft Annual Governance Statement for 2024-25.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	No
AG/11/25-26	28/07/25	Internal Audit Opinion 2024-25	This report provides the Annual Internal Audit Opinion for 2024-25.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	No
FSC/09/25-26	28/07/25	Companies Draft Financial Statements 2024/25	The purpose of this report is to present the draft financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	Yes	No
September 2025									
AG/01/25-26	29/09/25	Annual Review on Information Governance	This report provides assurance to the Audit and Governance Committee on the Council's arrangements for information governance and information security over the course of the previous financial year.	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	No	No
AG/02/2025-26	29/09/25	Monitoring Officer Annual Report 2024-25	This report seeks to provide information and assurance to the Audit and Governance Committee on key aspects of the Monitoring Officer's responsibilities over the previous financial year.	Governance, Compliance and Monitoring Officer	No	No	Effective and enabling council	No	No
AG/15/25-26	29/09/25	ECW (Enterprise Cheshire & Warrington) Accounts 2024/25	The purpose of this report is to present the audited financial statements of Enterprise Cheshire and Warrington for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	Yes	No
December 2025									
AG/05/25-26	04/12/25	Final Statement of Accounts 2024/25 (Audit & Governance Committee)	The purpose of this report is to present to the committee the final version of the Statement of Accounts for 2024/25, the statements will incorporate the agreed changes reported in the Audit Findings report 2023/24. there will be a recommendation to committee to approve the Statement of Accounts for 2023/24	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	Yes	No
AG/06/25-26	04/12/25	Audit of Accounts 2024/25	The purpose of the report is to present to Council, the Audit findings report for 2024/25 accompanied by a response recommended by the Audit & Governance Committee to any	Executive Director of Resources	No	No	Effective and enabling council	Yes	No

Audit and Governance Committee
Work Programme 2025-26

			significant issues raised in the Audit Findings Report	and S151 Officer					
AG/14/25-26	04/12/25	Companies Audited Financial Statements 2024/25	The purpose of this report is to present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2024/25	Executive Director of Resources and S151 Officer	No	No	Effective and enabling council	Yes	No
March 2026									
AG/12/25-26	05/03/26	Internal Audit Plan 2025-26 Progress Update	This report provides the Committee with an update on the progress of the Audit Plan delivery, findings and outcomes.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	No
AG/13/25-26	05/03/26	Internal Audit Plan 2026-27 Approval	This report provides the proposed Internal Audit Plan 2026/27 to the Committee for review and approval.	Head of Audit, Risk and Assurance	No	No	Effective and enabling council	No	No

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