

Audit and Governance Committee

Agenda

Date: Thursday, 15th March, 2018
Time: 2.00 pm
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

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 top of each report.

It should be noted that Part 1 items of Cheshire East Council decision making and Overview and Scrutiny 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**
- 2. Declarations of Interest**

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

- 3. Public Speaking Time/Open Session**

In accordance with paragraph 2.32 of the Committee Procedural Rules and Appendix 7 to the Rules a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the body in question.

Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

For requests for further information

Contact: Cherry Foreman

Tel: 01270 686463

E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies

4. **Minutes of Previous meeting** (Pages 5 - 10)

To approve the minutes of the meeting held on 7 December 2017 as a correct record.

5. **External Audit Plan 2016/17 - Update**

The External Auditor will give an oral update in relation to the 2016/17 external audit report and other issues.

6. **External Audit Plan 2017/18** (Pages 11 - 32)

To receive and comment on the External Auditors planned work for the audit of financial statements and the value for money conclusion for 2017/18.

7. **Arrangements for the Appointment of External Auditors** (Pages 33 - 36)

To report on the appointment of the Council's External Auditors following the Public Sector Audit Appointments Process Ltd process.

8. **Members Code of Conduct: Standards Report** (Pages 37 - 44)

To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1 September 2017 and the end of February 2018. There are two reports in order to take into account those received under the Member Code of Conduct 2012, and those under the newly introduced Code for 2018.

9. **Informing the Risk Assessment for Cheshire East Council** (Pages 45 - 48)

To consider the managements responses to questions posed by the External Auditor. *Appendix A is to follow.*

10. **Risk Management Update** (Pages 49 - 68)

To receive an update on risk management and business continuity activity in the Council. This will include a briefing on the management of risk in respect of contract and relationship management.

11. **Internal Audit Interim Report** (Pages 69 - 76)

To consider a summary of Internal Audit work undertaken between October and December 2017.

12. **Internal Audit Plan 2018/19** (Pages 77 - 100)

To approve the summary risk based Internal Audit Plan for 2018/19.

13. **General Data Protection Regulations**

To Committee will receive a presentation on the readiness of the Council to meet the requirements of the Data Protection Regulations.

14. **The Council's Whistleblowing Arrangements and New Policy - Update** (Pages 101 - 132)

To receive a report on the outcome of the review undertaken by Public Concern at Work, including details of recommended actions and improvements, and to consider a proposed Policy.

15. **Capital, Treasury Management and Investment Strategies - Update** (Pages 133 - 136)

To receive a report on changes in the requirements relating to these Strategies.

16. **The Audit and Governance Committee Work Plan** (Pages 137 - 160)

To consider the forthcoming Work Plan for 2018/19, to ensure comprehensive coverage of the Committee's responsibilities.

17. **Contract Procedure Rule Non-Adherences** (Pages 161 - 168)

To receive an update on the quantity and reasons for non-adherences approved since 1 December 2017.

18. **Exclusion of the Press and Public**

The report relating to the remaining item on the agenda has been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

19. **Contract Procedure Rules Non-Adherences**

To note the approved WARNs issued since 1 December 2017.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 7th December, 2017 in Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor G Baxendale (Chairman)
Councillor M Sewart (Vice-Chairman)

Councillors S Corcoran, T Dean, R Fletcher, L Gilbert, N Mannion, G Merry and
J Nicholas (Substitute)

Independent Co-opted Member

Phillip Gardener

Members in attendance

Councillor L Durham

Officers in attendance

Kath O'Dwyer – Acting Chief Executive
Joanne Butler – Business Governance and Risk Manager
Josie Griffiths – Principal Auditor
Sean Hannaby – Director of Planning and Sustainable Development
Deborah Nickson – Legal Team Manager
Alex Thompson – Head of Finance and Performance
Michael Todd – Principal Auditor
Joanne Wilcox – Finance Lead Corporate
Cherry Foreman – Democratic Services Officer

External Auditors (Grant Thornton)

Jon Roberts and Allison Rhodes

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor A Stott.

32 DECLARATIONS OF INTEREST

There were no declarations of interest.

33 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

34 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting held on 28 September 2017 be approved as a correct record.

35 GRANT THORNTON - ANNUAL AUDIT LETTER 2016/17

Jon Roberts of Grant Thornton presented the Annual Audit Letter for the year ended 2017 the detailed findings of which had been reported to the Committee at its last meeting. In considering value for money they were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for weaknesses in arrangements for acting in the public interest which had been identified during the year by the Council's Internal Audit Service; as a result they had qualified their value for money conclusion.

The Committee was advised that Grant Thornton could not formally conclude the audit and issue an audit certificate for 2016/17 until they had completed their consideration of an objection brought to their attention by a local authority elector under Section 27 of the Act, and also until the Council had completed its internal disciplinary investigations into a number of its Chief Officers.

RESOLVED

That the report be received and noted.

36 CERTIFICATION REPORT 2016/17

The Committee considered the Certification letter for the Housing Benefits Subsidy Claim for 2016/17. In addition the Committee was advised that the Council was required to obtain a reasonable assurance report on their annual Teachers Pension; this had been received and completed in accordance with the deadline. The respective fees for each were also reported.

RESOLVED

That the report be received.

37 ANNUAL GOVERNANCE STATEMENT UPDATE

The Committee considered an update on the Annual Governance Statement (AGS) the aim of which was to provide assurance that it was underpinned by an appropriate framework of assurance and to allow the Committee to monitor the implementation of actions to improve governance arrangements and respond to emerging issues.

Progress against items reported in the AGS 2016/17 was set out in a detailed appendix and included consideration of whether the required action had been completed appropriately, whether the issues were being sufficiently and effectively managed or whether there were further issues or concerns arising. Members sought clarification on a range of matters in the appendix and the received further assurance and confirmation of progress made.

In addition the proposed production process for the 2017/18 AGS was set out. This took into account the requirements of the updated CIPFA/SOLACE guidance *the Delivering Good Governance in Local Government* Framework, and against the Council's Code of Corporate Governance.

RESOLVED

That

1. progress and feedback provided on the issues reported in the 2016/17 AGS be noted and endorsed, including the recommendation to the Committee on whether items remain on the Annual Governance Statement ; and
2. the process for the production of the 2017/18 AGS be noted and endorsed.

38 DRAFT TREASURY MANAGEMENT STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2018/19

This report updated members on the Council's Treasury Management Strategy for 2018/19, it being an important element in the overall financial health and resilience of Cheshire East Council. The Strategy focussed on the management of the Council's investment and cash flows; its banking, money market and capital market transactions and the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Committee was advised that changes to the Strategy would need to be made during 2018/19 in response to a revised Treasury Management Code of Practice due to be published by CIPFA; in the meantime it had been based on existing requirements.

The key elements of the strategy were set out along with an explanation of the major external influences, the effect of the domestic economy and of interest rates.

RESOLVED

That the proposed Treasury Management Strategy and the Minimum Reserves Provision Statement for 2018/19, set out in Appendix A of the report, be received.

39 INTERNAL AUDIT INTERIM REPORT 2017/18 AND INTERNAL AUDIT CHARTER

(Councillor S Corcoran arrived during consideration of this item)

Consideration was given to an interim report on emerging issues across the whole range of areas to be covered in the Annual Report due in June 2018. It included a summary of audit work carried out to date such as issues judged relevant to the preparation of the Annual Governance Statement; comparison of the work undertaken with that planned; comments on compliance with internal audit standards and communication of the results of the internal audit quality assurance programme.

A summary comparison of the 2017/18 Audit Plan with actuals for the half year, and comments on variances, was set out in the report. During the first half year audit work had been undertaken on the whole of the control environment comprising risk management, key control and governance processes using a mix of risk based auditing, regularity, investigations and the provision of advice to officers. Members received answers to questions in respect of workload and

effect of ongoing fraud investigations, the implementation of agreed recommendations, assurance reports, and Internal Audit performance indicators and staffing levels.

In addition an updated Audit Charter was submitted as a requirement was that it be reviewed at a minimum of annually; it had been updated to comply with a revised definition of internal auditing and newly introduced 'Mission of Internal Auditing' in the updated Public Sector Internal Audit Standards, and to reflect operational changes in reporting lines to emphasise the organisational independence of Internal Audit and its relationships with senior management and Members.

RESOLVED

1. That the issues identified be noted, and the approach to achieving adequate audit coverage in the remainder of 2017/18 be endorsed.
2. That approval be given to the updated Internal Audit Charter, set out in Appendix B of the report.

40 WORK PLAN 2017/18

The Committee considered the Work Plan for the remainder of this Municipal Year. Where items were as yet unallocated Members were given further updates and guidance on expected time scales of the matters in question although it was appreciated that in some cases these were outside the control of the Authority.

It was intended that at the next meeting the Plan would be submitted for the forthcoming year to show the planned submission of reports to meet statutory deadlines; this would then enable the Committee to add in further items of choice and to maintain a manageable work load.

RESOLVED

That the Work Plan be noted and that it be updated and considered further at the next meeting of the Committee.

41 RISK MANAGEMENT UPDATE

The Committee considered a summary of the most significant threats and opportunities facing the Council which could prevent or assist the achievement of the Council's Corporate Plan 2016/20. It was reported that at present ten threats and four opportunities were detailed in the Councils Corporate Risk Register and there had been some changes in them since the last meeting. Changes relating to the adoption of the Cheshire East Local Plan, NHS Funding and the Sustainability and Transformation Plan, financial resilience, information security and cyber threat, and partnership working were explained, further details of which were provided in an appendix to the report.

A proposed briefing on CR4 Contract and Relationship Management had been prepared but due to time and personnel constraints it was suggested that this be deferred to the next meeting of the Committee.

RESOLVED

That the report be received and that the briefing on CR4 Contract and Relationship Management be considered at the next meeting of the Committee.

42 WAIVERS AND NON ADHERENCE NOTIFICATIONS

Consideration was given on an update on the number and reasons for Waivers and Non Adherences (WARNs) approved between 1 September and 31 October 2017. Comparisons with previous years from 2014 were given and Members welcomed the continuing reduction in numbers which it was considered were a good indicator that revised procedures were working successfully.

An update was also provided on the Contract Management Audit – Findings and Next Steps which related to a report by Internal Audit in 2016 which had concluded that arrangements for effective contract management were insufficient. Members were informed that a new Commissioning and Procurement Board had been created and that a Contract Management Framework had been developed; this mapped out the Council's approach over the next 12 months to create a consistent approach across the Council. The framework drew upon good practice and National Audit and Government Procurement Service guidance and was expected to be formally approved in December and implemented in January 2018.

RESOLVED

That the report be noted.

43 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

44 WAIVERS AND NON ADHERENCE NOTIFICATIONS

RESOLVED

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.00 pm

Councillor G Baxendale (Chairman)

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

| | |
|--------------------------|--|
| Date of Meeting: | 15 th March 2018 |
| Report of: | Interim Executive Director of Corporate Services |
| Subject/Title: | External Audit Plan 2017/18 |
| Portfolio Holder: | Councillor Paul Bates |

1.0 Report Summary

1.1 The Audit Plan for the year ending 31 March 2018 is set out in Appendix 1.

2.0 Recommendation

2.1 That members receive and comment on the Audit Plan for 2017/18.

3.0 Reasons for Recommendations

3.1 The Audit Plan sets out the work that the Council's Auditors, Grant Thornton will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 None.

7.0 Implications for Rural Communities

7.1 None

8.0 Financial Implications

8.1 The Audit Plan sets out the level of fees for the audit work specified by the external auditors.

8.2 The audit fees as set out on pages 14 and 17 of the report will be met from within the existing revenue budget.

9.0 Legal Implications

9.1 There are no specific legal issues associated with this report.

10.0 Risk Management

10.1 The report sets out the approach of Grant Thornton to completing a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

11.0 Background and Options

11.1 Grant Thornton has been appointed as the Council's independent external auditors by the Audit Commission. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.

11.2 The Audit Plan outlines the audit strategy and plan to deliver the audit while the audit findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

11.3 The Audit Plan sets out the key phases of the audit and provides details of the risk based approach to the work programme.

11.4 The Audit Plan sets out the requirements for the audit of the Group Accounts. The audit will consider the Council's assessment of the group boundary and the adequacy of the determination of those entities that are to be included within Group Accounts in 2017/18. The auditors will also review the approach to align the accounting policies, review the consolidation adjustments and assess whether the disclosures within the group financial statements are in accordance with the Code requirements.

11.5 Grant Thornton will be attending the meeting to answer any questions raised by members on the 2017/18 Audit Plan.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Designation: Financial Strategy & Reporting Manager

Tel No: (01270) 685869

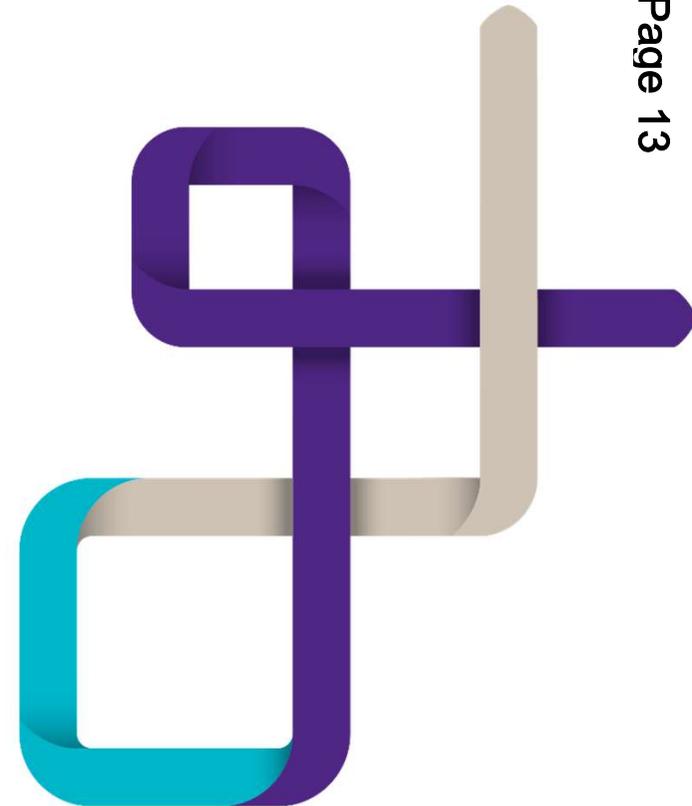
Email: joanne.wilcox@cheshireeast.gov.uk

Appendix 1: Grant Thornton Audit Plan 2017/18 for Cheshire East Council

External Audit Plan

Year ending 31 March 2018

Cheshire East Council
March 2018



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Your key Grant Thornton
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. 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.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cheshire East Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cheshire East Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions
- Management over-ride of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £12m (PY £11.9m), which equates to 1.8% of your 2016/17 gross expenditure (cost of services) for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.6m (PY £0.6m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Impact of historic governance matters
- Planning finances effectively
- Working effectively with partners.

Audit logistics

Our interim visits will take place in February and March 2018 and our final visit will take place in June and July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £154,590 (PY: £160,137) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Deep business understanding

| Changes to service delivery | Changes to financial reporting requirements | Key challenges |
|---|--|---|
| <p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p> | <p>Alternative Service Delivery Vehicles</p> <p>Cheshire East Council continues to develop its use of alternative service delivery vehicles. It has engaged in a number of initiatives in recent years, with most of these taking the form of wholly owned subsidiary companies. In addition, the Council is involved in a number of local initiatives and cross-organisational and cross-sectoral endeavours, including the Cheshire East Better Care Fund and the Cheshire and Warrington Local Enterprise Partnership.</p> | <p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Ministry of Housing, Communities and Local Government is currently undertaking a review of the Regulations, which may be subject to change.</p> <p>The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p> <p>Financial Pressures</p> <p>Reforms to local government finance seek to provide greater financial stability for local authorities. The four year settlement proposes to phase out the Revenue Support Grant (RSG), and instead allow for 100% business rates retention in the hope of providing a more sustainable self-sufficient local government. This will mean a reduction in RSG from £40m in 2015/16 to nil in 2020 for Cheshire East Council.</p> <p>Like many other local authorities, the Council is experiencing demand increases in children's and adults social care services, backdating pay to staff for sleep-in-arrangements and inflationary cost pressures. These issues, coupled with continued cuts to funding, represent a significant challenge for the Council.</p> <p>For the 2017/18 financial year, the Council was forecasting an overspend of £0.1m against a revenue budget of £264.8m in its quarter 3 finance report. A mitigation plan is being developed to deliver a balanced outturn position and maintain general fund reserves at the level of c£10.1m as set out in its reserves strategy.</p> <p>Governance Challenges</p> <p>Over the past year Cheshire East Council has faced negative media coverage arising from a number of external investigations. These pertained to concerns about specific aspects of its governance processes, decision-making and allegations of misconduct against senior officers. The Council put temporary senior management arrangements in place affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer whilst proper procedures were followed for independent investigation regarding these officers.</p> |

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your use of subsidiary companies as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Accounts and Audit Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the above financial reporting changes in the 2017/18 CIPFA Code.
- We will consider progress of any ongoing external investigations and take findings into account when reaching our conclusions. We will also review progress against recommendations previously agreed through prior year audit work on the financial statements, arrangements to secure value for money and IT general controls.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|---|---|
| <p>The revenue cycle includes fraudulent transactions</p> | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • although there have been a number of governance issues in the past, the Council have put temporary senior management arrangements in place in order to address these weaknesses and the Section 151 Officer has been in post since 2016/17. The culture and ethical frameworks of local authorities, including Cheshire East Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Cheshire East Council.</p> |
| <p>Management over-ride of controls</p> | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p> | <p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness, which will be tailored to reflect any risk areas arising from the Council’s previous governance issues. • evaluate the rationale for any changes in accounting policies or significant unusual transactions. |

Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|--|--|
| Valuation of property, plant and equipment | <p>The Council revalues its land and buildings every five years, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p> | <p>We will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • consider the competence, expertise and objectivity of any management experts used. • discuss with the valuer about the basis on which the valuation is carried out and challenge the key assumptions. • review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. • test revaluations made during the year to ensure they are input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. |
| Valuation of pension fund net liability | <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> | <p>We will:</p> <ul style="list-style-type: none"> • identify the controls put in place by management to ensure that the pension fund liability is not materially misstated and assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation • gain an understanding of the basis on which the valuation is carried out • undertake procedures to confirm the reasonableness of the actuarial assumptions made • check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. |

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|-------------------------------------|--|--|
| <p>Employee remuneration</p> | <p>Payroll expenditure represents a significant percentage - approximately 33% - of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface between the payroll and ledger systems, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls • perform substantive analytical procedures on monthly payroll costs • review year-end payroll reconciliation and check that amounts in the accounts are reconciled to ledger and through to payroll reports • agree payroll related accruals to supporting documents and review any estimates for reasonableness. |
| <p>Operating expenses</p> | <p>Non-pay expenses on other goods and services also represents a significant percentage 67% of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls • document the accruals process and challenge underlying assumptions, source date and basis for calculation • test a sample of payments and ensure that they have been charged in the appropriate year • review the year end accounts payable reconciliation and investigate significant reconciling items. |

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements and, this year, conclude on the objection received at the conclusion of last year's audit
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit and any prior year's where the audit certificate is yet to be provided.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

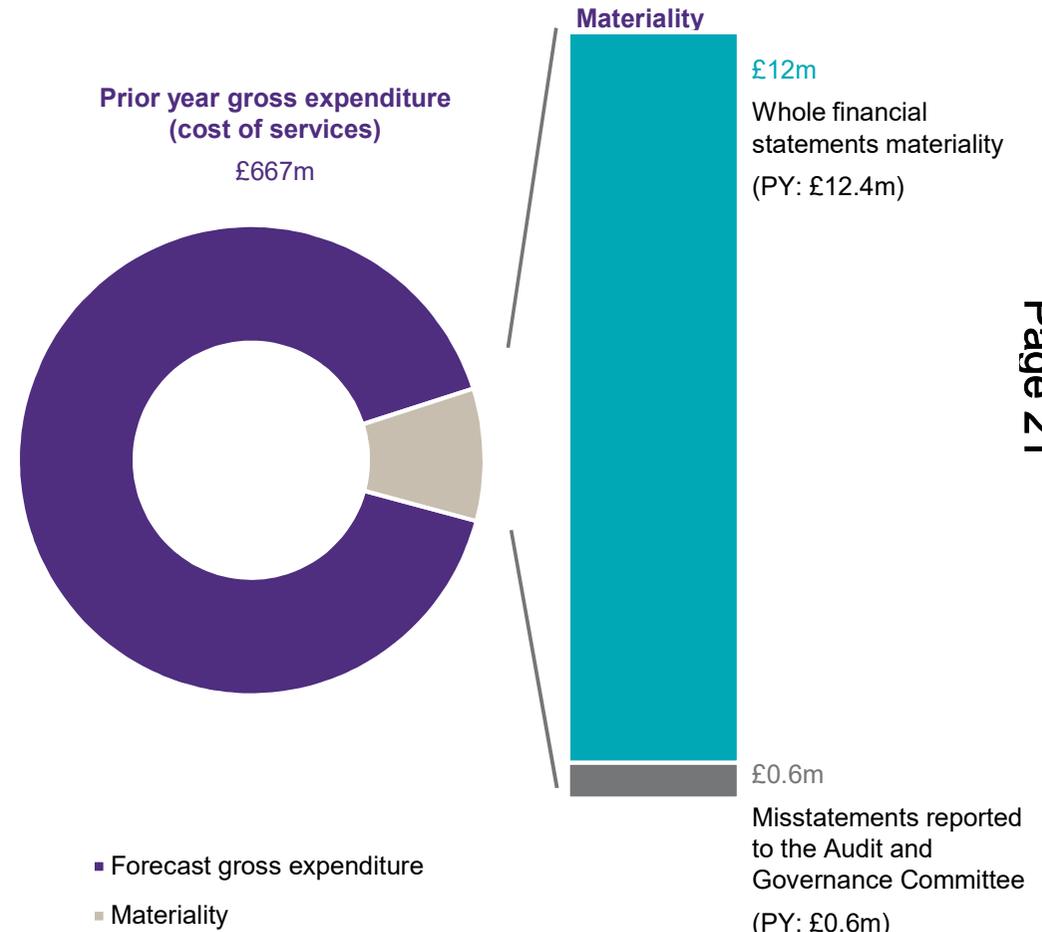
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £12m (PY £11.9m), which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6m (PY £0.6m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



Materiality

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

| Balance/transaction/disclosure | Explanation | Materiality level |
|--|---|-------------------|
| Disclosure of senior officers' remuneration in the notes to the financial statements. | Due to public interest in these disclosures and the statutory requirement for them to be made, we consider £82,000 to be an appropriate materiality level for these disclosures. This equates to 1.8% of the senior officers' remuneration disclosed in the 2016/17 financial statements. | £82,000 |
| Disclosure of non-routine related party transactions ie. transactions with organisations where Members / Officers or their close relatives hold a personal interest. This does not include intra-group transactions and transactions with other public bodies, which we do not deem to be unusual. | Due to the public interest in these disclosures and the fact that there have been irregularities in relation to transactions in which Members/Officers hold a personal interest historically which are currently under investigation, we consider £1,045,000 to be an appropriate materiality for these disclosures. This equates to 1.8% of the related party transactions with organisations where Members / Officers hold a personal interest disclosed in the 2016/17 financial statements. | £1,045,000 |

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

| Component | Significant? | Level of response required under ISA (UK and Ireland) 600 | Risks identified | Planned audit approach |
|---|---|---|---|---|
| <p>Cheshire East Council has the following wholly Owned Subsidiary Companies which it has historically consolidated into the group accounts:</p> <ul style="list-style-type: none"> • Cheshire East Residents First (CERF) Ltd • Ansa Environmental Services Ltd • Alliance Environmental Services Ltd (subsidiary of Ansa Environmental Services Ltd incorporated in 2017/18) • Orbitas Bereavement Services Ltd • Transport Service Solutions Ltd • Engine of the North Ltd • Civicance Ltd • The Skills and Growth Company Ltd | <p>No individually significant components identified at this stage as part of our risk assessment and planning procedures.</p> <p>We will review and further update our understanding of the group structure as part of the final accounts audit.</p> | Analytical | <p>At this stage we have identified no specific risks of material misstatement. This will be the first year of operation of Alliance Environmental Services Ltd, however arrangements in place mirror those of the other companies therefore we have not identified any additional risks.</p> <p>We will inform the Audit and Governance Committee of any changes to this assessment.</p> | <p>Desktop analytical review to be performed by Grant Thornton UK LLP, focussing on consolidation of financial results, alignment of accounting policies and removal of inter-group transactions.</p> <p>Liaison with the finance team to discuss any complex matters, emerging issues or areas of difficulty.</p> <p>Liaison with the auditors of the Council's subsidiary companies (who are also part of Grant Thornton UK LLP but a separate team).</p> |

Key changes within the group:

- Alliance Environmental Services Ltd is a new subsidiary of Ansa Environmental Services Ltd, incorporated on 9 May 2017.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of the component audit team will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the subsidiaries' audit documentation and meeting with appropriate members of management.

Value for Money arrangements

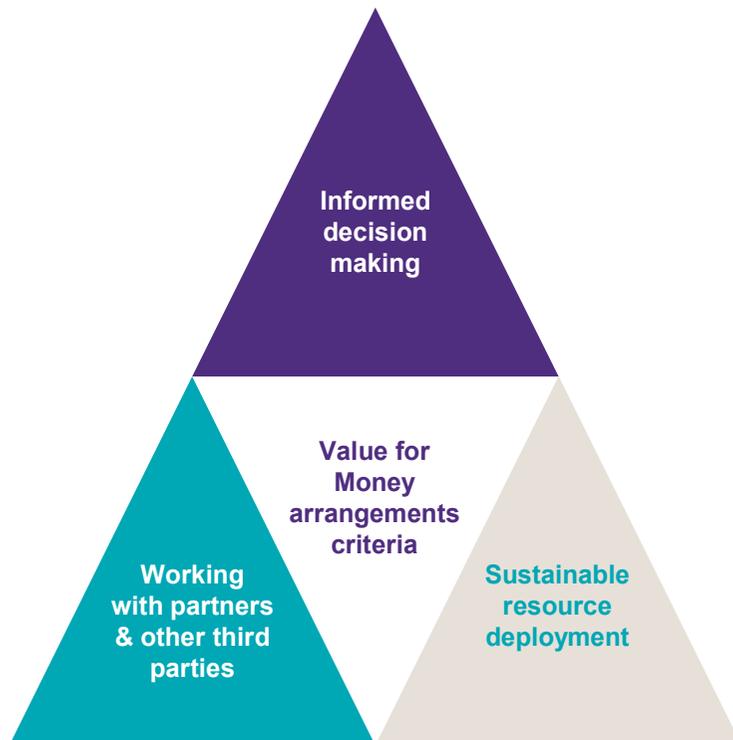
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Impact of historic governance matters

During 2017/18 the Council has embarked on a number of reviews of its governance arrangements in specific areas. These are reflected in the prior years' AGS and the update report to the Audit and Governance Committee.

During the year, the Council put temporary senior management arrangements in place affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer whilst proper procedures were followed for independent investigation regarding these officers.

The underlying governance issues that gave rise to these reviews is not relevant to the 2017/18 VFM conclusion. However the actions being taken to move forward, to ensure weakness are identified and appropriately addressed are relevant to this consideration. The Council needs to demonstrate that it has addressed these historic governance matters, whilst not being distracted from the necessary focus on the delivery of its strategic objectives and its financial plans which presents a challenge to the current management team.

We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of reports and discussion with key officers.

Value for Money arrangements



Planning finances effectively

The Council has historically managed its finances well and has consistently achieved financial targets.

The quarterly reviews reported to the Corporate Overview & Scrutiny Committee and Cabinet detail potential financial deficits in 2017/18. The overspends are prevalent in relation to Social Care.

A range of measures to reduce the outturn position against the 2017/18 have been introduced, along with a forecast transfer from earmarked reserves to maintain general reserves at the required risk based level (in accordance with the Reserves Strategy approved in February 2017).

We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of budgetary information, subsequent monitoring reports and discussion with key officers.



Working effectively with its partners

The local health organisations and local authorities have worked together to agree three key improvement priorities to jointly deliver in order to drive forward the necessary transformation and improvement of the health and care services across Cheshire. The three priorities are integrated commissioning, integrated provisions and sustainable hospital services across Cheshire.

The work to design and implement an integrated health and care commissioning and delivery system is taking place against the backdrop of significant financial challenges in the local health economy and continuing demand pressures on social care services.

Working with partners from different organisations and service areas with potentially conflicting priorities, and particular financial challenges means that projects are increasingly complex and high profile. This represents a continuing risk to the VFM conclusion as we need to understand the arrangements that the Council has to contribute to this process and to mitigate the risks to its resources.

We propose to gain an understanding of the role that the Council is playing to contribute to change in the local health economy and to move forward with the effective integration of health and social care.

We will discuss this with key officers and review the project management and assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics, team & audit fees



Jon Roberts, Engagement Lead

The Partner will have overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.



Scarlett Mayer, Audit Manager

Overall audit management; consideration of VFM work; quality assurance of audit work and outputs.



Lisa Morrey, Audit In-Charge

Lisa will be the day to day contact for the Council's finance team. She will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.



Hamze Samatar, Audit Assistant

Hamze will assist Lisa with the management of audit fieldwork, including accounts; coordination of work completed by CAST and audit assistants; coordination of work of specialists and advisors.

Audit fees

The planned audit fees are no less than £154,590 (PY £160,137) for our audit of the financial statements and £13,608 (PY: £24,375) for grant certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

We have set out overleaf the details of the non-audit services identified.

For each piece of work we have considered the possible threats to our independence, with particular regard to risk of self interest, self review, management, advocacy, familiarity and intimidation. We are satisfied that the non audit services do not impact on the auditors independence.

We have also shared our detailed assessment with PSAA Ltd who provided confirmation of their approval for Grant Thornton UK LLP to undertake this work.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence & non-audit services

| Service | Fees £ | Threats | Safeguards |
|--|--------|---|---|
| Audit related | | | |
| Reasonable assurance report for teachers pensions return (Nov 2017) | 4,800 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,800 in comparison to the total fee for the audit of £154,590 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. |
| Non-audit related | | | |
| CFO Insights – three year subscription | 27,000 | Self-Interest (because this is a recurring fee) | <p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of £154,590 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.</p> <p>Nature of the service presents no threat to independence as CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority. The financial data, revenue outturn and budget data is provided by CIPFA and the socio-economic data is drawn from Place Analytics. The data is contextualised using a range of socio-economic indicators enabling the LA to understand their relative performance.</p> |
| Post liquidation services connected with the members voluntary liquidation of Cosocius (50% of the fee) | 1,893 | The non-audit service does not impact on the auditor's independence. | The entity had already asked for the service to be provided before the NAO issued Auditor Guidance Note 01 and concludes upon the liquidation of Cosocius Limited. Our assessment of threats to independence demonstrated that it was permitted under ethical requirements applicable when we commenced the work, and the safeguards continue to be applied. |
| Corporate tax compliance services for work relating to 2016/17, carried out during the financial year 2017/18. | 8,950 | Self-Interest (because this was a recurring fee, this being the final year) and self-review | <p>The Cheshire East companies had engaged this service before the NAO reissued Auditor Guidance Note (AGN) 01 and so this service is provided for the year ended 31 March 2017 only.</p> <p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,950 in comparison to the total fee for the audit of £154,590 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.</p> <p>A separate engagement team from the corporate tax team is used in undertaking the audit to reduce the self review threat to an acceptable level.</p> |

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

| Section of the auditor's report | Description of the requirements |
|--|--|
| Conclusions relating to going concern | We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern. |
| Material uncertainty related to going concern | We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report. |
| Other information | We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified |
| Additional responsibilities for directors and the auditor | We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern. |
| Format of the report | The opinion section appears first followed by the basis of opinion section. |



CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

| | |
|--------------------------|---|
| Date of Meeting: | 15 th March 2018 |
| Report of: | Interim Executive Director of Corporate Services |
| Subject/Title: | Update on the Arrangements for the Appointment of External Auditors |
| Portfolio Holder: | Councillor Paul Bates |

1.0 Report Summary

- 1.1 This report provides an update regarding the appointment of an external auditor from 1st April 2018 and summarises the outcome of the procurement exercise undertaken by Public Sector Audit Appointments Ltd (PSAA) in their capacity as an 'appointing person' (or 'sector led body').
- 1.2 This follows the decision taken by Full Council on 15th December 2016 that the Council should 'opt in' to the national scheme rather than make its own auditor appointment.

1.3 Recommendation

- 1.4 To note the outcome of the procurement exercise undertaken by PSAA which has resulted in Mazars LLP being appointed to audit the accounts of Cheshire East Council for five years, from 2018/19 to 2022/23 and that scale fees are expected to reduce by approximately 23% compared to the 2017/18 fees.

1.5 Reasons for Recommendations

- 1.6 The appointment of Mazars LLP reflects the need for the Council to have external auditors in place from 1st April 2018. The appointment process has been undertaken by PSAA in accordance with the Local Audit and Accountability Act 2014 ('the Act') which allowed authorities to opt in for their external auditor to be appointed by an 'appointing person'.

1.7 Wards Affected

- 1.8 All.

1.9 Local Ward Members

- 1.10 Not applicable.

1.11 Policy Implications

1.12 None.

1.13 Implications for Rural Communities

1.14 None

1.15 Financial Implications

1.16 The proposed scale fee for 2018/19 is £119,034 compared with the 2017/18 fee which was £154,590. The contract is managed, and budgeted for, within the Finance & Performance Team, within the Corporate Directorate. Opt-in arrangements for this procurement process were approved by Council on 15th December 2016.

1.17 PSAA have stated that they may be able to sustain the 23% reduction for the full five years of the appointing period, but that it is not possible to be certain at this early stage. The key factors that could have an impact on future scale fees are:

- Uncertainty in respect of inflation (noting that the contracts with audit firms include an increase for inflation in the later years of the appointing period);
- Any changes to the scope of auditors' work arising from changes to the Code of Audit Practice. A new code is required to be published every five years with the next code applicable from 2020/21; and
- Changes in financial reporting requirements.

1.18 The PSAA is a not-for-profit company it does not therefore aim to generate surpluses. If, however, in the course of its activities any surplus funds are accumulated then they will be returned to 'opted in' bodies on a fair and proportionate basis.

1.19 Legal Implications

1.20 Section 7 of the Local Audit and Accountability Act 2014 ('the Act') requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment which is reserved to full Council.

1.21 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Regulations (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

1.22 Risk Management

- 1.23 The decision to opt in to the sector led arrangement has ensured that the appointment of an audit firm has been made via a compliant procurement process, within required timescales and has delivered a cost saving.
- 1.24 The process has been led by the S.151 Officer, in consultation at appropriate times from the Chief Executive, Audit & Governance Committee, the Portfolio Holder for Finance & Communications as well as liaison with PSAA Ltd and the proposed external auditors.

1.25 Background and Options

- 1.26 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. Following closure of the Audit Commission, contracts let by them were novated to PSAA who were established to operate the transitional arrangements under powers delegated by the Secretary of State. PSAA is an independent not-for-profit company limited by guarantee and established by the Local Government Association (LGA).
- 1.27 These transitional arrangements come to an end on 31st March 2018 at which time the Council is able to move to local appointment of the external auditors. The Local Audit (Appointing Person) Regulations 2015 ('the Regulations') made under the Act also included the provision for authorities to 'opt in' for their auditor to be appointed by an 'appointing person' with PSAA being specified by the Secretary of State.
- 1.28 The Regulations required that a decision to opt in must be made by a meeting of the Full Council. A report was therefore taken to the Audit and Governance Committee on 8th December 2016 and then to Full Council on 15th December 2016 where it was agreed that the Council should accept PSAA's invitation to 'opt in' to the sector led option.
- 1.29 PSAA subsequently advised that 98% of the 494 eligible bodies decided to opt in to the national scheme.
- 1.30 PSAA consulted on and confirmed auditor appointments from 2018/19 to opted-in bodies in the period August to December 2017, following award of contracts to audit firms, six in total, in June.
- 1.31 PSAA have confirmed that the bid prices secured through this process are expected to result in a reduction of scale fees for all participating bodies of approximately 23% compared to the fees applicable for 2017/18. The PSAA board will approve the final 2018/19 scale of fees for publication in March 2018.
- 1.32 Discussions will be held between the Council and Mazars LLP in terms of the arrangements for the audit going forward.

1.33 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Designation: Financial Strategy & Reporting Manager

Tel No: (01270) 685869

Email: joanne.wilcox@cheshireeast.gov.uk

| |
|----------------------|
| Version Number: 1 |
|----------------------|

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Member Code of Conduct 2012: Standards report

Portfolio Holder: Councillor J Paul Findlow, Corporate Policy and Legal Services

Senior Officer: Acting Director of Legal Services and Monitoring Officer

1. Report Summary

- 1.1. The purpose of the report is to advise the Committee of the number of complaints received under the Member Code of Conduct 2012 which have or are to be considered by the Acting Director of Legal Services (in his statutory capacity as the authority's Monitoring Officer) and the Independent Person. The report also notes the outcome, where complaints have been concluded.

2. Recommendation

- 2.1. The Committee is asked to note the report.

3. Reasons for Recommendation

- 3.1. To assist the Audit and Governance Committee in fulfilling its responsibility for promoting high standards of ethical behaviour by developing, maintaining and monitoring the Member Code of Conduct.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Cheshire East Council has adopted a new Member Code of Conduct, which came into force on 1 January 2018. Complaints received since this date are the subject of a separate report on today's agenda.
- 5.2. This report covers the 2012 Code of Conduct, which the Council adopted in July 2012. It is the responsibility of the Audit and Governance Committee to monitor this Code.

- 5.3. The report previously considered by the Committee contained details of complaints received under the 2012 code from 1 March 2017 up to and including 31 August 2017. This report covers the period 1 September 2017 to 31 December 2017.
- 5.4. Between 1 September 2017 and 31 December 2017, 8 complaints were received by the Acting Monitoring Officer. Seven complaints concerned Members of Cheshire East Council, whilst one was against a Member of a town or parish council within the borough.
- 5.5. The complaints can be broken down further as below.
- 5.6 Complaints made against Councillors in Cheshire East
- 5.6.1 Of the 8 complaints received, the following paragraphs of the Cheshire East Council Member Code of Conduct were identified as allegedly having been breached:

| Part A: General Obligations | | No. received | |
|---|--|--------------|-------------|
| <u>Paragraph</u> | | Borough | Town Parish |
| 1 | Selflessness | 4 | - |
| 2 | Integrity | 1 | - |
| 3 | Objectivity | 6 | - |
| 4 | Accountability | 6 | - |
| 5 | Openness, sub paragraph (a) transparency | 5 | - |
| | Openness, sub paragraph (b) disclosure | 1 | - |
| 6 | Honesty, sub paragraph (a) declaring interests | 5 | - |
| | Honesty, sub paragraph (b) use of resources | 5 | - |
| 7 | Respect for others, sub paragraph (a) courtesy | 3 | 1 |
| | Respect for others, sub paragraph (b) equality | 1 | - |
| | Respect for others, sub paragraph (c) impartiality | 4 | - |
| | Respect for others, sub paragraph (d) bullying | 1 | 1 |
| 8 | Leadership | 5 | 1 |
| 9 | Gifts and hospitality | - | - |
| Part B: registering and declaring pecuniary and non pecuniary interests | | | |
| | Failure to register or declare an interest | - | - |

[Note: the numbers may not tally with the number of complaints received as a Complainant may identify none or more than one paragraph in their complaint.]

5.6.2 The decision of the Acting Monitoring Officer was as follows:

| Complaint: | Borough | Town Parish |
|---|---------|-------------|
| To complete the initial assessment stage | 3 | - |
| No further action to be taken | 2 | - |
| Referred to the Monitoring Officer for informal resolution | - | 1 |
| Referred to Group Leader for informal action | - | - |
| To be referred by the Monitoring Officer for external investigation | 2 | - |
| Referred to the Police or other regulatory agency | - | - |

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of Members whenever they act in their official capacity. The Code must also have a place in a suitable procedure at a local level to investigate and determine allegations against elected Members and co-opted Members.

6.1.2. The Council is also responsible for having arrangements in place to investigate and determine allegations against Town and Parish Councillors.

6.2. Finance Implications

6.2.1. There is a cost to the authority when a complaint is referred for external investigation this is determined by market factors in terms of the availability of investigators identified through complaint procurement processes.

6.3. Equality Implications

6.3.1. There are no direct equality implications.

6.4. Human Resources Implications

6.4.1. There are no direct Human Resource implications.

6.5. Risk Management Implications

6.5.1. If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1 Implications are borough wide.

8. Access to Information

8.1. There are no background papers relating to this report.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Daniel Dickinson

Job Title: Acting Director of Legal Services

Email: monitoringofficercec@cheshireeast.gov.uk

| |
|----------------------|
| Version Number: 1 |
|----------------------|

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Member Code of Conduct 2018: Standards report

Portfolio Holder: Councillor J Paul Findlow, Corporate Policy and Legal Services

Senior Officer: Acting Director of Legal Services and Monitoring Officer

1. Report Summary

- 1.1. The purpose of the report is to advise the Committee of the number of complaints received under the Member Code of Conduct 2018 which are to be considered by the Acting Director of Legal Services (in his statutory capacity as the authority's Monitoring Officer) and the Independent Person. The report also notes the outcome, where complaints have been concluded.

2. Recommendation

- 2.1. The Committee is asked to note the report.

3. Reasons for Recommendation

- 3.1. To assist the Audit and Governance Committee in fulfilling its responsibility for promoting high standards of ethical behaviour by developing, maintaining and monitoring the Member Code of Conduct.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Cheshire East Council has adopted a new Code of Conduct, which came into force on 1 January 2018. It is the responsibility of the Audit and Governance Committee to monitor this Code.
- 5.2. This is the first report which gives details of complaints received under the new Code which the Committee will consider, and covers the period 1 January 2018 to 28 February 2018.

5.3. Between 1 January 2018 and 28 January 2018, 13 complaints were received by the Acting Monitoring Officer; 8 complaints concerned a Member of Cheshire East Council, whilst 6 were against Members of a town or parish council within the borough.

| Part A: General Obligations | | No. received | |
|---|--|--------------|-------------|
| Paragraph | | Borough | Town Parish |
| 1 | Selflessness | 3 | 4 |
| 2 | Integrity | 2 | 3 |
| 3 | Objectivity | 2 | 4 |
| 4 | Accountability | 2 | 2 |
| 5 | Openness, sub paragraph (a) transparency | 2 | 2 |
| | Openness, sub paragraph (b) disclosure | - | - |
| 6 | Honesty, sub paragraph (a) declaring interests | 2 | 2 |
| | Honesty, sub paragraph (b) use of resources | - | - |
| 7 | Respect for others, sub paragraph (a) courtesy | 6 | 5 |
| | Respect for others, sub paragraph (b) equality | - | - |
| | Respect for others, sub paragraph (c) impartiality | - | 1 |
| | Respect for others, sub paragraph (d) bullying | 3 | 3 |
| 8 | Leadership | 4 | 6 |
| 9 | Gifts and hospitality | - | - |
| Part B: registering and declaring pecuniary and non pecuniary interests | | | |
| | Failure to register or declare an interest | - | 3 |

[Note: the numbers may not tally with the number of complaints received as a Complainant may identify none or more than one paragraph in their complaint.]

5.5 Revised complaints procedure

5.5.1 In accordance with the new procedure adopted by Council, the Monitoring Officer now undertakes a preliminary assessment of each complaint, consulting the Independent Person where appropriate, before making and notifying the Complainant of his/her decision on whether and how the complaint should proceed.

5.5.2 Of the 13 complaints received since 1 January 2018, five have yet to be preliminary assessed. The decision of the Acting Monitoring Officer in respect of the other eight complaints was as follows:

| Complaint: | Borough | Town Parish |
|--|---------|-------------|
| Rejected at preliminary assessment stage; failed to meet the assessment criteria | - | 1 |
| Referred for initial assessment | 5 | 2 |

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of Members whenever they act in their official capacity. The Code must also have a place in a suitable procedure at a local level to investigate and determine allegations against elected Members and co-opted Members.

6.1.2. The Council is also responsible for having arrangements in place to investigate and determine allegations against Town and Parish Councillors.

6.2. Finance Implications

6.2.1. There is a cost to the authority when a complaint is referred for external investigation this is determined by market factors in terms of the availability of investigators identified through complaint procurement processes.

6.3. Equality Implications

6.3.1. There are no direct equality implications.

6.4. Human Resources Implications

6.4.1. There are no direct Human Resource implications.

6.5. Risk Management Implications

6.5.1. If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1 Implications are borough wide.

8. Access to Information

8.1. There are no background documents to this report.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Daniel Dickinson

Job Title: Acting Director of Legal Services and Monitoring Officer

Email: monitoringofficercec@cheshireeast.gov.uk

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Informing the External Audit Risk Assessment for Cheshire East Council

Portfolio Holder: Councillor Paul Bates

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

1.1. In order to comply with International Standards on Auditing (UK and Ireland) the Council's External Auditors (Grant Thornton) require an understanding of management processes for, and the Audit and Governance Committee's oversight of the following areas:

1.1.1. Fraud (ISA 240)

1.1.2. Laws and Regulations (ISA 250)

1.1.3. Going Concern (ISA 570)

1.1.4. Accounting Estimates (ISA 540)

1.1.5. Related Party Transactions (ISA 550)

1.2. The report, attached at Appendix A, includes a series of questions on each of these areas and the response that Grant Thornton has received from Cheshire East Council's management.

2. Recommendation

2.1. The Audit and Governance Committee is asked to consider whether management's response to a series of questions posed by the Council's external auditor are consistent with its understanding and whether there are any further comments it wishes to make.

3. Reasons for Recommendation/s

3.1. This report assists both the external auditor and the Audit and Governance Committee in understanding matters relating to the audit of financial statements and helps to develop a constructive working relationship. It also enables the external auditor to obtain information relevant to the audit from the Audit and Governance Committee, supports the Committee in fulfilling

its responsibilities in relation to the financial reporting process and helps to meet the requirements of International Standards on Auditing (UK and Ireland).

4. Other Options Considered

- 4.1. No other relevant options were available.

5. Background

- 5.1. The Audit and Governance Committee is an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. In recognition of this important role, and in order to comply with ISAs (UK and Ireland) Grant Thornton require an understanding of management processes and the Audit and Governance Committee's oversight of the following areas:
- 5.1.1. Fraud (ISA 240)
 - 5.1.2. Laws and Regulations (ISA 250)
 - 5.1.3. Going Concern (ISA 570)
 - 5.1.4. Accounting Estimates (ISA 540)
 - 5.1.5. Related Party Transactions (ISA 550)
- 5.2. The report, attached at Appendix A, includes a series of questions on each of these areas and the response that Grant Thornton has received from Cheshire East Council's management.
- 5.3. The Council has in place arrangements to identify fraud risks and respond to them accordingly. There is a corporate fraud risk which is supplemented by a detailed fraud risk assessment that engaged service managers in the process of identifying not only areas which may be susceptible to fraud, but also controls that are in place to mitigate these risks.
- 5.4. The arrangements for responding to fraud issues, including the Anti Fraud and Corruption Policy and the Whistleblowing Policy are subject to regular review and Members receive update reports on these matters through this Committee.
- 5.5. The Council has in place arrangements to ensure compliance with relevant laws and regulations via procedure rules contained within the Constitution and throughout the decision making process. Assurance on compliance is achieved through the internal audit work programme and the completion of the Annual Governance Statement which members will receive in July 2018 for approval.

- 5.6. The Council has arrangements in place to assess its ability to continue as a going concern through its sound financial management and budget planning processes. The following Corporate Risk has been formally considered in accordance with the Council's Risk Management Framework:

CR3 Financial Resilience:

The reduction in funding from Central Government means the Council must manage funding shortfalls over the next four years, through reduced expenditure, managing demand or increased local income. There is a possibility that the Council does not adopt its financial plans in sufficient detail quickly enough, either by deferring the difficult decisions about services, using over-optimistic planning assumptions, or not rethinking sources of income. This may result in difficulties in closing and managing the funding reductions, financial stress and may impede the Council's ability to meet its statutory requirements, and deliver all of its intended outcomes and objectives in full.

- 5.7. Arrangements are in place to ensure that accounting estimates and the disclosure of related parties transactions are fully compliant with the CIPFA Code and associated guidance.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The Council has a statutory duty (s151 of the Local Government Act 1972) to make arrangements for the proper administration of its financial affairs. An officer must also be appointed to have responsibility for the administration of these arrangements. The Interim Executive Director of Corporate Services is designated as the Council's s151 Officer.

6.1.2. In addition, the Accounts and Audit Regulations 2015 require the Council's s151 Officer to determine accounting control systems that include measures to enable the prevention and detection of inaccuracies and fraud and that risk is appropriately managed.

6.2. Finance Implications

6.2.1. The report does not identify any direct financial implications. Incidences of fraud, or non-compliance with the law, can result in income and expenditure losses to the Council as well as further consequences such as fines and litigation. The Council's Reserves Strategy reflects the requirement to protect front-line services from the immediate financial consequences of such losses, but ultimately losses would need to be recovered through the budget setting process.

6.3. Equality Implications

6.3.1. There are no direct equality implications.

6.4. Human Resources Implications

6.4.1. There are no direct Human Resources implications.

6.5. Risk Management Implications

6.5.1. The impact of issues identified above can have consequences that are serious and often far reaching. Financial loss is the obvious key risk but the undermining of public confidence that can result from the discovery of such issues can inflict a much greater damage than the act itself. In order to mitigate this risk, Management needs to establish and implement robust arrangements that are actively overseen by those charged with governance.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. All wards are affected by the risk of fraud or material misstatement in the accounts.

8. Consultation & Engagement

8.1. None undertaken.

9. Access to Information

9.1. The risk assessment document is attached as an appendix to this report.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Jan Willis

Job Title: Interim Executive Director of Corporate Services

Email: jan.willis@cheshireeast.gov.uk

BRIEFING REPORT

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Risk Management Update Report

Portfolio Holder: Councillor Paul Findlow, Portfolio Holder, Corporate Policy and Legal Services

Author: Joanne Butler, Business Governance and Risk Manager

Senior Officer: Daniel Dickinson, Acting Director of Legal Services

1. Introduction and Policy Context

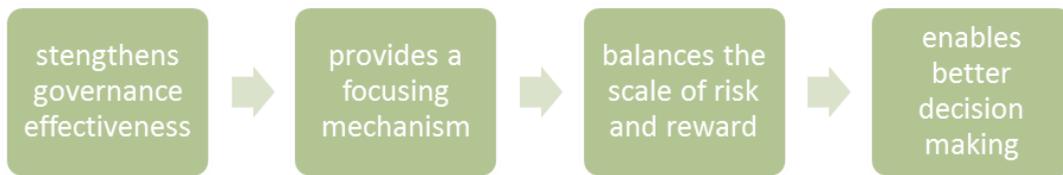
1.1 This report provides the Audit and Governance Committee with a summary of the most significant threats and opportunities facing the Council which may prevent, or assist with, the achievement of the Council's Corporate Plan 2016-20. The Audit and Governance Committee is requested to note and comment on the update report on risk management, which is for information and assurance.

2. Background

2.1 It is the role of Audit and Governance Committee to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. Risk management is not about being risk averse, indeed some amount of risk taking is inevitable if the Council is to achieve its objectives. It is about effectively managing risks that could affect the achievement of the Council's objectives and ensuring that an appropriate risk culture is in place.

2.2 A risk is concerned with a threat, or a possible future event, which will adversely or beneficially affect the Council's ability to achieve its objectives. Risk management is central to good governance; managing risk is all about people making the best decisions at all levels within the organisation. It is not just about strategy and tactics but also judgements and behaviours of people. Decision makers fundamentally want to do the right thing; an open and respectful risk culture mitigates risk and reputational damage. It encourages higher performance and efficiency, and develops a sustainable and ethical business model.

2.3 A strong risk management framework seeks to ensure the following benefits:-



2.4 As the Council looks towards 2020, even over this relatively short period of time, there will be a host of factors which influence the nature of the Council's relationships with its residents, businesses, communities, neighbouring authorities, and other key partners. These factors will challenge the Council to review its current systems and approaches, and experiment with new ideas to allow mixed and flexible use of its resources. In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. Through risk identification we anticipate eventualities and it helps us to respond to changes in need. Consideration and response to existing and new threats, and the ability to recognise and seize new opportunities, is fundamental to achieving the Council's desired outcomes in the Corporate Plan 2016-20.

3. Briefing Information

3.1 There are presently eleven threats and four opportunities detailed on the Council's corporate risk register. There has been some changes and movement of the risks since the previous update to Audit and Governance Committee; these include:

- CR5 Information Security and Cyber Threat: There continues to be a rise in the number of ransomware attacks, whilst the Council has a number of technologies to reduce the risk of infection and existing mitigation controls reduce the likelihood, the threat is ever increasing. If the risk materialises there is the potential of a 'major' impact on the corporate plan which may affect services in one or more areas for a short period and so the net risk rating has been increased to 12 High Risk.
- CR7a Cheshire East Local Plan Adoption: This has been removed from the Corporate Risk Register as this risk has passed and is now dormant.
- CR11 Employee Engagement and Retention: The risk description for this risk has been updated to ensure that it reflects the current most significant causes of the threat to engagement and retention and

encompasses the recruitment freeze and drive to improve organisational culture.

- **CR12 Adult Social Care Market Strain:** An emerging risk around market strain on the adult social care sector and how this may provide a threat to the Council's objectives has been articulated and included on the corporate risk register as a 9 Medium Risk threat.
- **CR13 Capacity and Demand:** An emerging risk which is cross-cutting across Directorates around increased demand and insufficient capacity to deliver and how this may threaten the achievement of the Council's business plans has been articulated and included on the corporate risk register as a 6 Medium Risk threat.
- **CRO4 Regeneration:** The risk title for this opportunity risk has been amended to 'Infrastructure and Regeneration' to better reflect the risk description. The Council continues to strengthen its position in relation to this opportunity through infrastructure programme work and as a result the heat map shows a slight increase of the risk level in a positive direction within the rating of 9 medium risk level.

3.2 The tables below inform the Audit and Governance Committee on progress against key risks; attached at **Appendix A** is a more detailed definition of these risks including the Risk Owner, Cabinet Strategic Lead, and comments on the net risk rating. **Appendix B** shows a heat map of the threats and opportunities.

Table 1: Highest Rated Corporate Risks

| Ref | Type | Risk Title | Rating | Direction |
|-----|--------|---|---------|-----------|
| CR2 | Threat | NHS Funding and Sustainability and Transformation Plan (STP) Impact | 16 High | ↔ |
| CR3 | Threat | Financial Resilience | 12 High | ↔ |
| CR1 | Threat | Increased Demand for People Services | 12 High | ↔ |
| CR4 | Threat | Contract and Relationship Management | 12 High | ↔ |
| CR5 | Threat | Information Security and Cyber Threat | 12 High | ↑ |

Table 2: Risk Watch List

| Ref | Type | Risk Title | Rating | Direction |
|------|--------|-----------------------------------|----------|-----------|
| CR11 | Threat | Employee Engagement and Retention | 6 Medium | ↔ |

Table 3: Dormant Risk

| Ref | Type | Risk Title | Rating | Direction |
|------|--------|-----------------------------------|--------|-----------|
| CR7a | Threat | Cheshire East Local Plan Adoption | 4 Low | ↓ |

Table 4: Emerging Risk

| Ref | Type | Risk Title | Rating | Direction |
|------|--------|---------------------------------|----------|-----------|
| CR12 | Threat | Adult Social Care Market Strain | 9 Medium | ↑ |
| CR13 | Threat | Capacity and Demand | 6 Medium | ↔ |

3.3 Discussion around the articulation of an emerging risk around the Council's 5 Year Housing Land Supply is currently underway and this risk will be drafted and scored as appropriate.

3.4 The assessment methodology used to score the risks is attached at **Appendix C** to this report for information.

4 Implications

4.1 Policy: Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective implementation are considered within team and department risk registers and as part of the risk management framework.

4.2 Financial: There are no direct financial implications in relation to this report. However, a risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose as part of the Medium Term Financial Strategy (MTFS) process.

4.3 Legal: This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.

4.4 Risk Management: This report relates to overall risk management; the Audit and Governance Committee should be made aware of the most significant risks facing the Council and be assured that the risk management framework

is operating effectively. The content of this report seeks to achieve the following risk objectives:-

| Key Risk Objectives |
|---|
| That Cheshire East Council properly develops, implements and demonstrates an effective risk management framework |
| That Cheshire East Council applies its risk management policy consistently across the Council |
| That Cheshire East Council recognises risks and makes correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities |

Corporate Risks

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|---|-------------------------------------|--|--------------------------------|--|
| CR 1 Threat | <p>Increased Demand for People Services</p> <p>(Cause) Risk that Cheshire East’s local social, economic and demographic factors lead to an increase in the level of need and demand for adults and children’s care services, (threat) such that the capacity of the Council’s systems in these areas is unable to continue to absorb the pressures, (impact) resulting in a possible lack of continuity of social workers/service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council’s outcomes that people live well and for longer, and have the life skills and education they need to thrive.</p> | Acting Executive Director of People | Joint: Portfolio Holder, Adult Social Care and Integration Portfolio Holder, Children and Families | <p>12 High</p> <p>↔</p> | Likelihood of this risk occurring has been scored as ‘likely’ as it is known that both adult demand, and children’s demand is increasing alongside population growth, and longer life expectancy for both adults and children with complex needs. Taking a prudent approach to the risk scoring, if the increase in demand was significant the impact of this risk if it were to materialise could be critical with possible increase in safeguarding issues due to the nature of the service delivery areas. Further work is planned to mitigate the impact of this risk in both service areas but presently the net score remains at 12 high risk. |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|---|--|---|--------------------------------|--|
| CR 2 Threat | <p>NHS Funding and STP Impact</p> <p>(Cause) Risk that due to the financial deficit in the NHS, the five-year Sustainability and Transformation Plan (STP) to reshape the delivery of NHS services across the wider region, may cause a reduction in Cheshire East Council shared service delivery and NHS service delivery, (threat) shifting costs and demand which places additional strain on Council resources (impact) resulting in unmet need and potential difficulty in achieving the Council's outcomes that people live well and for longer and local communities being strong and supportive.</p> | Acting Executive Director of People | Joint: Portfolio Holder, Health Portfolio Holder, Adult Social Care and Integration | <p>16 High</p> <p>↔</p> | The STP has been drawn up on a regional basis and the likelihood of this risk occurring is increasing as the financial deficit across the health and care system increases. There have been delays in the implementation of the STP workstreams as a result of a new STP leadership team being appointed and a review of the governance structure taking place between August and November. The net risk score remains at 16 High Risk because exiting controls have not to date seen a reduction in the anticipated deficit position. |
| CR 3 Threat | <p>Financial Resilience</p> <p>(Cause) The reduction in funding from Central Government means the Council must manage funding shortfalls over the next four years, through reduced expenditure, managing demand or increased local income. (Threat) There is a possibility that the Council does not adopt its financial plans in sufficient detail quickly enough, either by deferring the difficult decisions about services, using over-optimistic planning assumptions, or not rethinking sources of income. (Impact) This may result in difficulties in closing and managing the funding reductions, financial stress and may impede the Council's ability to meet its statutory requirements, and deliver all of its intended outcomes and objectives in full.</p> | Interim Executive Director of Corporate Services | Portfolio Holder, Finance and Communication | <p>12 High</p> <p>↔</p> | The Council has financial plans in place to manage funding shortfalls which will be reviewed regularly. The impact of this risk should it materialise is reduced as the Council has a track records of underspends or managing year end positions within the parameters of the Reserves Strategy. The overall net risk rating is 12, high risk. |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|---------------|--|--|---|-----------------------------|--|
| CR4 Threat | <p>Contract and Relationship Management: (Cause) Risk that the Council does not improve the effectiveness of its contract management arrangements, including skilled staff, to manage contracts and ongoing relationships with the Council’s providers, in a timely manner (Threat) such that contractual arrangements may not be robustly specified, or that they fail to deliver expected outcomes and/or within contracted costs and/or within expected timescales and/or fail to comply with contract agreements. (Impact) This will affect the Council’s ability to achieve all of its priorities and outcomes, realise agreed savings to ensure better value for money, and may have a detrimental effect on the Council’s reputation for failing to deliver on our promises.</p> | Interim Executive Director of Corporate Services | Portfolio Holder, Finance and Communication | <p>12 High ↔</p> | <p>The new Contract Management Framework has been developed and the new Commissioning and Procurement Board established but the framework needs to be implemented and embedded within Council procedures. Work has begun but is unlikely to demonstrate a reduction in the likelihood of this risk occurring in the short-term. The net risk therefore remains at 12 high risk as the impact of contract management across the Council is significant.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|---------------|---|--|---|-----------------------------|--|
| CR5 Threat | <p>Information Security and Cyber Threat (Cause) Risk that as the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility and transaction requirements, (threat) it becomes increasingly at risk of a security breach, either malicious or inadvertent from within the organisation or from external attacks by cyber-criminals. (Impact) This could result in many negative impacts, such as distress to individuals, legal, financial and reputational damage to the Council, possible penetration and crippling of the Council’s IT systems preventing it from delivering its Corporate Outcomes.</p> | Interim Executive Director of Corporate Services | Portfolio Holder, Finance and Communication | <p>12 High ↑</p> | <p>The Council handles large quantities of data on a daily basis and receives a large amount of emails, of this volume 78% is malware, viruses or spam. The risk of a security breach of some nature is ‘likely’, the likelihood of this risk is increasing globally as the number of incidents of corporate and public sector bodies having their IT systems hacked and data being stolen is rising. There is a rise in the number of ransomware attacks, with the outage of the NHS systems highlighting the effects such an attack can have on the operations of an organisation.</p> <p>The more the Council is aware of information, its importance and its value; it is increasingly likely that the number of Information Breaches will increase.</p> <p>The Council has a number of technologies to reduce the risk of infection. Although existing mitigation controls reduce the likelihood the threat is ever increasing. If the risk materialises there is the potential of a ‘major’ impact on the corporate plan which may affect services in one or more areas for a short period and so the net risk rating is 12 High Risk.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|---------------|---|--|-----------------------|--|---|
| CR6 Threat | <p>Countering Fraud and Corruption (Cause) Risk that the Council fails to have proper, adequate, effective and efficient management arrangements, policies and procedures in place to mitigate the risk of fraud and corruption, particularly in a time of financial austerity, (Threat) such that public money is misappropriated. (Impact) This would result in a loss of funds to the Council, have a detrimental effect on services users, a negative impact on the Council’s ability to achieve all of its priorities, value for money, and may have a negative impact on the Council’s reputation.</p> | Interim Director of Corporate Services | Leader of the Council | <p>6 Medium</p> <p>↔</p> | <p>Although the Council has a robust anti-fraud and corruption framework, as the Council commissions and lengthens its supply chain with uncertainty of the level of controls and assurance arrangements within the chain, the likelihood of this risk is increased. Alongside this, the increased demand on staff time may result in less rigorous application of existing controls, which may also increase the risk of unexplained or suspicious expenditure being undetected. Preparations are underway to develop a new structure to deliver Counter Fraud services and expand the amount of proactive Counter Fraud work undertaken contributing to securing ongoing improvements in the Council’s control environment. The impact of this risk should it occur is a 3 ‘significant’ as the amount of funds at risk could be significant and jeopardise financial resources to achieve the outcomes. As the Council’s maturity levels increase in this area the risk should reduce, at present, the overall net risk rating is 6 medium risk.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|------------|---|-----------------------------|---|--------------------|---|
| CR7a | <p>Cheshire East Local Plan Adoption (Cause) Risk that a successful Statutory Legal Challenge reverses all or elements of the adoption of the Cheshire East Local Plan Strategy, (threat) resulting in further delays to the planning framework, leaving Cheshire East vulnerable to unwanted development, budget pressures, loss of public and government confidence, (impact) impacting upon Cheshire East's ability to provide the right type of housing and development sites in the right places to stimulate growth in the local economy affecting the achievement of all of the Council's outcomes.</p> | Executive Director of Place | Portfolio Holder, Housing, Planning and Regeneration | 4 Low ↓ | This risk is now dormant. The judge held that shortcomings of the air quality data did not affect the substance of the Local Plan and, thus, on the evidence the claim was not arguable. This risk is to be removed from the Corporate Risk Register. |
| CR9 | <p>Increased Major Incidents (Cause) Risk that there is a lack of capacity, planned reserves and resources to deal with an increased frequency and severity of major incidents which affect Cheshire East (e.g. extreme weather events, flooding, sinkholes, fire incidents, chemical incidents, dangerous structures, pandemic, or deliberate incidents such as terrorist acts) such that (threat) the Council needs to shift capacity and resources away from day to day operational activity and may be unable to sustain an effective response or to act in a timely manner alongside emergency responder partners, (impact) resulting in potential public safety issues and a reduced level of achievement across all of its intended outcomes.</p> | Executive Director of Place | Portfolio Holder, Corporate Policy and Legal Services | 6 Medium ↔ | <p>The net risk rating for this risk is 6 medium. Whilst it is unlikely that there will be a significant increase in the number of major incidents, this is outside of our control, and if this was to materialise the impact on the Council's objectives would be major.</p> <p>There have been a number of major incidents over the last year that the Council has responded well to (e.g. Macon House Fire, Crewe; M6 tanker crash near Knutsford; and the Manchester Arena Terrorist Attack) the risk score will be reviewed if and when any further incidents occur.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|---|--|---|---------------------------|--|
| CR10 | <p>Business Continuity (Cause) Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems etc) such that (threat) the Council is unable to deliver some, or in extreme cases all of its services and (impact) putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period</p> | Acting Director of Legal Services | Portfolio Holder, Corporate Policy and Legal Services | <p>6 Medium ↔</p> | <p>The net risk rating is 6 medium. Whilst the majority of incidents are outside of the Council’s control this risk remains unlikely but could have a major impact if it materialised. The implementation of the Business Continuity Action plan is ongoing.</p> |
| CR11 Threat | <p>Employee Engagement and Retention (Cause) Risk that as demand increases and resources decrease, and whilst the Council seeks to improve its organisational culture and faces negative reputational issues, the Council’s most skilled and experienced staff may feel under more pressure and become less engaged, and (threat) because of the specialist nature of some of the roles, the Council is less able to recruit and retain core professional employees (e.g. social workers, solicitors and planners). This may result in (impact) high recruitment costs and loss of talent and organisational knowledge which may have a damaging impact on service users and the Council being unable to fully deliver across all of its outcomes.</p> | Interim Executive Director of Corporate Services | Portfolio Holder, Corporate Policy and Legal Services | <p>6 Medium ↔</p> | <p>The Council recognises that retention of skilled staff remains a threat. Employee engagement and retention is an area the Council continues to improve. Increase in demand with fewer resources is likely and may impact on core areas which could be significant. The cultural transformation programme will seek to define and embed a positive culture that enables colleagues to thrive. It is recognised that this is not a quick fix but instead a longer term programme through which staff, managers, members, partners and trade unions come together to collectively define and own the culture and tone that will enable CEC to be known as a great place to work. Recognising the challenges and opportunities ahead the risk level is presently rated at 6, medium risk.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|--|-------------------------------------|---|---------------------------|---|
| CR12 Threat | <p>Adult Social Care Market Strain (Cause) Risk that as the adult social care sector continues to experience financial strain, due to staffing being a high proportion of costs, and with the difficulty in recruiting and retaining staff within the sector resulting in reducing profitability, this may lead to some service providers exiting from the market. (threat) This may result in residents having less choice, or experiencing a lack of continuity of service, and potential delays in securing a package of good quality care that meets needs and preferences, and greater use of unpaid care. This may affect (impact) the Council's ability to achieve its outcomes of people living well and for longer and to stimulate a diverse range of care and support services and be a leading commissioning and responsible Council.</p> | Acting Executive Director of People | Portfolio Holder, Adult Social Care and Integration | <p>9 Medium ↑</p> | Likelihood of this risk occurring has been scored as 'likely' as it is known that demand is increasing alongside population growth and longer life expectancy and that the adult social care sector continues to experience financial strain. Taking a prudent approach to the risk scoring, if a major provider fails and the risk was to materialise this could be major with possible increase in safeguarding issues due to the nature of the service delivery area. Further work is planned to mitigate the likelihood and impact of this risk but presently the net score is 9 medium risk. |
| CR13 Threat | <p>Capacity and Demand Risk (Cause) Risk that reducing and reduced staff resource alongside increasing demand and additional unplanned work results in (threat) key resources being overstretched and having insufficient capacity to deliver all business plan requirements, (impact) resulting in business operational issues and pinch points, possible failure to deliver priority activities and projects, adverse organisational behaviour and a detrimental impact upon physical, emotional and mental wellbeing of staff, impacting upon the Council's ability to deliver all of its intended objectives and outcomes.</p> | Acting Chief Executive | Leader of the Council | <p>6 Medium ↔</p> | The Council recognises the pressures on staff through reduced and reducing capacity. Creating an environment within which colleagues can grow and thrive is a top priority, and a range of programmes and initiatives will support this. Ensuring all staff, members and partners have a shared sense of purpose, common and achievable goals, alongside ruthless and ongoing prioritisation will help to reduce this risk presently rated at 6, medium risk |

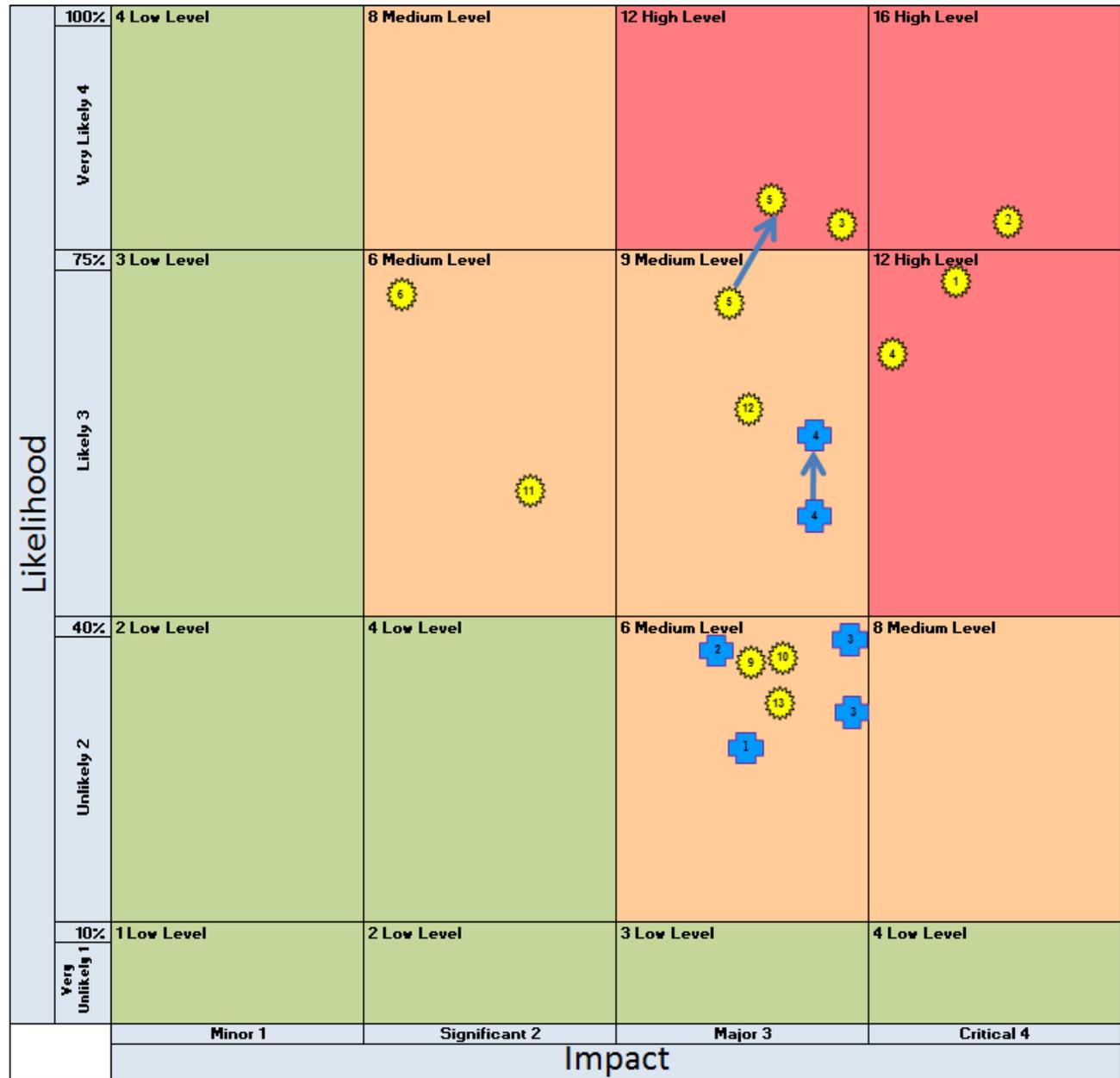
| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|-----------------|---|-----------------------------|--|--------------------|--|
| CRO 1 Opp'ty | EU Exit, Single Market and Local Growth (Cause) Keeping abreast of discussions about exiting the EU and access to the single market means that the Council can anticipate which areas are going to be significantly affected in Cheshire East e.g. changes in demand, changes to economic sectors, including the rural economy, and the labour market in the local area, significant impacts on local companies, possible successor regional aid funding schemes, changes to state aid and procurement laws. (Opportunity) This creates an opportunity to seize the initiative and influence the debate on the new UK legislative agenda for how a new regime should be shaped, including more entrepreneurial models that (impact) may benefit Cheshire East's local economy and local growth. | Executive Director of Place | Portfolio Holder, Housing, Planning and Regeneration | 6 Medium ↔ | Note that risk scoring for opportunities is the opposite way around to threats so a better risk outcome is to travel towards a higher score. The likelihood of this risk is presently unlikely as this is a possible opportunity which has yet to be fully investigated by management but some surveys are being undertaken. The impact remains relatively unknown but could be significant to Cheshire East's rural and local economy. The net risk rating remains at 6 Medium Risk and the Council monitors information as the governments' plans progress. |
| CRO 2 Opp'ty | Devolution (Cause) Central Government has been working with various cities and sub-regions to achieve devolution of powers and funding from central government to local areas which presents an opportunity for Cheshire East to (opportunity) work with key partners to bring an informed, coherent and persuasive case to secure more funding and powers through a devolution deal which would (impact) support Cheshire East's outcomes of protecting and enhancing its Quality of Place, improving local economic growth assisting with the achievement of all of its corporate outcomes. | Executive Director of Place | Leader | 6 Medium ↔ | Whilst the government's position on devolution to the sub regions is still unclear, our growth conversation with DCLG is ongoing. Recent indications suggest that the government may be open to new discussions about devolution and we will be seeking to define the scope, process and timeframe of the opportunity. |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|---|-------------------------------------|--------------|---|--|
| CRO3 Opp'ty | <p>Partnership Working (Cause) Public Service delivery is currently under-going reform, impacting upon capacity and resources of agencies and organisations partnered by the Council and other public sector agencies. (Opportunity) This presents an opportunity for co-production with joint strategic planning to reduce contradictory and duplication of efforts, minimise delivery gaps, exploit new business models and maximise best use of public and private sector resources to (impact) achieve joint and complementary objectives and assist with the achievement of the Council's corporate outcomes.</p> | Acting Executive Director of People | Leader | <p>6 Medium ↔</p> | <p>The Leaders' Board is working with the Council's key strategic partners, including Town and Parish Councils, and the Voluntary, Community and Faith Sector to exploit this opportunity and so the likelihood of this risk requires careful relationship management to increase the likelihood rating. The financial pressure across the public sector, including the impact of the Council's budget savings, means that partners may look inwardly rather than externally which has slightly reduced the likelihood of this opportunity.</p> <p>The impact could see a major increase in the Council's ability to achieve one or more strategic outcomes. The opportunity requires further work and monitoring to ensure that it comes to fruition. The net risk rating is 6 medium risk.</p> |

| Ref & Type | Risk Description (Including cause, threat and impact upon outcomes) | Risk Owner | Cabinet Lead | Rating & Direction | Comments |
|----------------|---|-----------------------------|--|---|---|
| CRO4 Opp'ty | <p>Infrastructure and Regeneration Funding (Cause) The Council has a number of ambitious regeneration and development initiatives (e.g. Crewe Regeneration including HS2, and Macclesfield Regeneration) involving many third party organisations. (Opportunity) There is an opportunity to create the right conditions and confidence to lever in significant investment (public and private) to deliver these initiatives and to create (impact) further significant growth and prosperity in the Borough.</p> | Executive Director of Place | Portfolio Holder, Housing, Planning and Regeneration | <p style="text-align: center;">9 Medium ↑</p> | <p>The Council has strengthened its working arrangements with local public sector partners, government departments and commercial investors. The Council has secured significant capital allocations to support major regeneration and development projects e.g. £10 local growth fund for Crewe Town Centre, £20 Housing Infrastructure funding to support key development projects in Crewe and Macclesfield and has secured major grant allocations for projects such as the Congleton Link Road, Middlewich Eastern Bypass, Poynton Relief Road.</p> <p>The Council has geared up its approach on a number of its strategic infrastructure projects including HS2, Crewe Hub and strategic rail such that the net risk rating is increasing within the 9 medium risk level rating. This risk requires ongoing work and monitoring to ensure that the opportunity comes to fruition.</p> |

| Corporate Risk Titles | |
|-----------------------|---|
| Threat | |
| CR1 | Increased Demand for People Services |
| CR2 | NHS Funding and STP Impact |
| CR3 | Financial Resilience |
| CR4 | Contract and Relationship Management |
| CR5 | Information Security and Cyber Threat |
| CR6 | Countering Fraud and Corruption |
| CR7 | Gheshire East Local Plan Adoption |
| CR8 | Community Cohesion |
| CR9 | Increased Major Incidents |
| CR10 | Business Continuity |
| CR11 | Employee Engagement and Retention |
| CR12 | Adult Social Care Market Strain |
| CR13 | Capacity and Demand |
| Opportunity | |
| CRO1 | EU Exit, Single Market and Local Growth |
| CRO2 | Devolution |
| CRO3 | Partnership Working |
| CRO4 | Infrastructure and Regeneration Funding |

| | |
|-------------|---|
| Threat |  |
| Opportunity |  |



| SCORING CHART FOR IMPACT | | | | SCORING CHART FOR LIKELIHOOD | | | | |
|--------------------------|-------------|-------|--|------------------------------|---------------|-------|--|--|
| | Factor | Score | Effect on Corporate Objectives | | Factor | Score | Description | Indicator |
| Threats | Critical | 4 | Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs. | Threats | Very likely | 4 | >75% chance of occurrence | Regular occurrence Frequently encountered - daily/weekly/monthly |
| | Major | 3 | Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term. | | Likely | 3 | 40% - 75% chance of occurrence | Within next 1-2 yrs Occasionally encountered (few times a year) |
| | Significant | 2 | Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from. | | Unlikely | 2 | 10% - 40% chance of occurrence | Only likely to happen 3 or more years |
| | Minor | 1 | Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect. | | Very unlikely | 1 | <10% chance of occurrence | Rarely/never before |
| Opportunities | Factor | Score | Effect on Corporate Objectives | Opportunities | Factor | Score | Description | Indicator |
| | Exceptional | 4 | Result in major increase in ability to achieve one or more strategic objectives | | Very likely | 4 | >75% chance of occurrence or achieved in one year. | Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term. |
| | Significant | 3 | Impact on some aspects of the achievement of one or more strategic objectives | | Likely | 3 | 40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year. | May be achievable but requires careful management. Opportunities that arise over and above the plan. |
| | | | | | Unlikely | 2 | <40% chance of occurrence or some chance of favourable outcome in the medium term. | Possible opportunity which has yet to be fully investigated by management. |

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BRIEFING REPORT

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Internal Audit Plan 2017/18 Interim Update

Portfolio Holder: Councillor Rachel Bailey

Author: Michael Todd/Josie Griffiths, Principal Auditors

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Introduction and Policy Context

- 1.1. The purpose of this report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2017/18, revisions to the plan and to summarise work undertaken between October and December 2017 (see Appendix A).
- 1.2. The delivery of the Annual Internal Audit Plan supports the annual opinion on the organisation's arrangements for governance, risk and internal control. The assurances these provide to the Annual Governance Statement are key indicators and contributors to the Council's corporate objective of being a responsible, effective and efficient organisation.

2. Background

- 2.1. Progress reports on the delivery of the annual audit plan are regularly brought to the Audit and Governance Committee to provide information, updates and assurance on the ability to deliver the annual audit opinion. A report on activity from April to September 2017 has previously been considered by the Committee at its meeting in December 2017.
- 2.2. This report, supported by more detail in Appendix A, provides an update on the delivery of the current Audit Plan and focuses on activity between October and December 2017. The Committee will receive an update on the final quarter as part of the Annual Internal Audit Report due in May 2018.

3. Briefing Information

- 3.1. During this quarter, in addition to planned activity, a considerable amount of time has been spent undertaking specific and focused reviews of historic

land transactions and supporting (unrelated) investigations into financial irregularities in other parts of the organisation.

- 3.2. Additional resource has been used to support the work on land transactions, and a number of part time officers are currently working increased hours. This temporary increase in resource, along with a re-assessment of the 17/18 plan and subsequent prioritisation of engagements for delivery in the remainder of 17/18 will ensure that sufficient work will have been undertaken to deliver the Annual Audit Opinion for 2017/18.

4. Implications

4.1. Financial Implications

- 4.1.1. In accordance with the Public Sector Internal Audit Standards, 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

4.2. Legal Implications

- 4.2.1. The requirement for an internal audit function flows from s151 of the Local Government Act 1972 requiring Councils to “make arrangements for the proper administration of their financial affairs” and the Accounts and Audit Regulations 2015 requiring a relevant body to “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 ...”

4.3. Human Resources Implications

- 4.3.1. The Internal Audit team must be appropriately resourced to comply with statutory and best practice requirements. Additional resource has been used during Quarter 3 to support delivery of the core plan and provide capacity to undertake priority workloads.



Internal Audit

Interim Report 2017/18

October 2017 - December 2017

www.cheshireeast.gov.uk

Internal Audit
First Floor, Westfields
Cheshire East Council
Sandbach, CW11 1HZ

OFFICIAL

1 Introduction

- 1.1 This report covers the programme of work delivered between October and December 2017 along with a brief outline of work planned for the remainder of the financial year.
- 1.2 During this quarter, in addition to planned activity, considerable amounts of time have been spent undertaking specific and focused reviews of historic land transactions and supporting (unrelated) investigations into financial irregularities in other parts of the organisation.
- 1.3 Additional resource has been used to support the work on land transactions, and a number of part time officers are currently working increased hours. This temporary increase in resource, along with a re-assessment of the 2017/18 plan and subsequent prioritisation of engagements for delivery in the remainder of 2017/18 will ensure that sufficient work will have been undertaken to deliver the Annual Audit Opinion for 2017/18.

2 Summary of Audit Work undertaken

- 2.1 The work carried out between October and December 2017 can be summarised as follows:

Assurance Work

- 2 audits were completed and the final report issued.
- 2 audits progressed to the draft report stage.
- 5 audits were either in progress or had the terms of reference agreed with management.

- 2.2 In accordance with normal practice, once the outstanding reports have been finalised, further detail will be provided to the Committee on any of these audits with 'Limited' or 'No' assurance in the Internal Audit Annual Report 2017/18.

School Audits

- 2.3 14 audits completed and final reports issued. 4 further visits were completed and draft reports issued.
- 2.4 The SFVS programme for 2017/18 had originally included a review of the Schools Governance Programme. In agreement with the Interim Executive Director of Corporate Services and the Director of Education and Skills, this work will be undertaken in 2018/19, and visits to an additional 3 schools will now take place before the end of 2017/18.

Grant Certifications

- 2.5 Family Focus grant claims were audited for claims made in October and December.

Supporting Corporate Governance

- 2.6 Internal Audit supported continued monitoring of issues raised in the 2016/17 Annual Governance Statement (AGS), completed an update of the AGS Action Plan and the proposed process for production of the 2017/18 AGS. Details of the above were provided to Members in a report to the December 2017 meeting of this Committee.
- 2.7 Internal Audit has also continued to attend and provide support to the Information Governance Group. This provides assurance on the Council's arrangements for information governance and data management.

Anti-Fraud and Corruption

- 2.8 Internal Audit coordinates the Council's participation in both the biennial National Fraud Initiative (NFI) and the annual NFI Flexible Matching exercise.
- 2.9 During Quarter 3, Internal Audit has coordinated the extract and upload of data for the flexible matching exercise for Council Tax and Electoral Role. The matches from this exercise will be received and investigations commenced during January 2018.
- 2.10 Work has also been carried out to understand the new requirements that the forthcoming General Data Protection Regulations and their impact upon NFI. This is particularly important with regards to the issue of Fair Processing Notices.
- 2.11 Two investigations into financial irregularities have been undertaken during the period. Disciplinary hearings have been held in early 2018, with two officers being dismissed. These cases have been passed to the Police for consideration and as such it would not be appropriate to divulge further details with regard to these cases.

Consultancy and Advice

- 2.12 Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.

- 2.13 Advice and guidance provided during Quarter 3 has included the provision of support to the development of processes for the administration and management of the Carers Living Well Fund, to ensure proportionate controls are in place to manage awards made from the fund.

- 2.14 Internal Audit has also been involved on the Project Board for the development of the new Constitution.

Implementation of Recommended Actions

- 2.15 Work has continued to obtain assurance from management that Internal Audit recommendations have been implemented in accordance with agreed timescales.

- 2.16 The approach taken is dependent upon the level of assurance provided by the initial audit review. Those with Limited or No Assurance are subject to a more detailed review process.

- 2.17 In accordance with normal practice, detailed performance figures relating to the implementation of recommended actions within agreed timescales will be reported in the Annual Report 2017/18. This will allow the figures to reflect those actions that are due to be implemented during quarter 4.

Supporting the Audit and Governance Committee

- 2.18 Internal Audit prepared or contributed towards the following reports to this Committee during the quarter:

28 September 2017

- Final Annual Governance Statement 2016/17

- Audit & Governance Committee Annual Report
- Internal Audit External Assessment
- Update on Air Quality Data
- Audit and Governance Committee Work Plan

7 December 2017

- Annual Governance Statement (AGS) Update
- Internal Audit Interim Report 2016/17
- Audit and Governance Committee Work Plan

Quality Assurance and Improvement

- 2.19 Preparation for the peer review of Internal Audit to assess compliance with the PSIAS, as reported to the September 2017 meeting of this Committee continued during the period. This involved the completion of a self assessment against the standards and the production of a detailed evidence pack in readiness for the onsite review.
- 2.20 The assessment took place at the end of January 2018 and a full report on the outcome and the associated action plan will be brought to the May 2018 meeting of the Committee.

3 Ongoing and Forthcoming Areas of Work

- 3.1 As Members will be aware, Internal Audit has undertaken a number of reviews into historic land transactions, and this work continues into the final quarter of 2017/18, with draft reports produced towards the end of December 2017 and into 2018. Consideration of these draft reports and any

appropriate actions will be completed during the final quarter.

- 3.2 Capacity to undertake this work was supplemented by external resource as reported to the December meeting of the Audit and Governance Committee to ensure that there was not a detrimental impact upon delivery of the Audit Plan as a result of unplanned work.
- 3.3 A re-alignment and re-assessment of the plan has been undertaken to prioritise the delivery of sufficient work to deliver an Annual Internal Audit Opinion for 2017/18. As the 17/18 plan was designed to respond to the changing risks of the Authority, a risk assessment of the plan was undertaken
- 3.4 The risk assessment of the plan considered;
 - Continuing alignment of areas of the audit universe (service delivery area or cross cutting theme) to the Council’s objectives and corporate risks
 - Impact and risk of a delay in undertaking the audit
 - Other sources of assurance and previous audit work in the area
 - Knowledge of local circumstances; changes in staffing, processes and systems.
- 3.5 On the basis of this risk assessment, and following discussions with relevant officers, the Principal Auditors determined that the following areas could be deferred from the current year’s plan without impacting on their ability to provide an informed opinion on the Council’s systems of internal control:

- Community Equipment Service
- Telecare
- Homelessness Duty
- Deprivation of Liberty Safeguards
- Members – Disclosure of Interests

3.6 In delivering the remainder of the 2017/18 Audit Plan, priority will be given to those pieces of work which inform the annual audit opinion, such as:

- Key Financial Systems - assurance that the expected controls are in place and operating effectively
- GDPR Preparedness – a review of the arrangements and planned actions to ensure compliance with the forthcoming change in regulations.
- Corporate Governance and Risk - supporting and contributing to the production of the Annual Governance Statement
- CyberSecurity – a review of the arrangements the Council has in place against national standards of best practice.
- Follow up Audits - proactive monitoring of the implementation of audit recommendations

3.7 In addition to completing the planned work relating to 2017/18, we will be preparing the Audit Plan for 2018/19. The plan will need to carefully balance statutory responsibilities and risk with the resources available within the team. The proposed plan will be presented to the March 2018 meeting of this Committee for consideration and approval.

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Audit & Governance Committee Report

Date of Meeting: 15 March 2018

Report Title: Draft Internal Audit Plan 2018/19

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2018/19.
- 1.2. 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 takes into account the need to produce an annual internal opinion. The opinion is a key source of assurance for the Annual Governance Statement which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.
- 1.3. The preparation and delivery of the Annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement are key indicators and contributors for the Council's corporate objective of being a responsible, effective and efficient organisation.

2. Recommendation

- 2.1. That the Committee:
 - 2.1.1. Approve the summary annual internal audit plan 2018/19 (Appendix A)
 - 2.1.2. Note that the plan will be developed and refined throughout the forthcoming year as a number of factors progress and the impact on the current level of audit resource becomes known.

3. Reasons for Recommendation

- 3.1. The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the production of an annual internal audit plan.

- 3.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards. The Standards state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Corporate Manager Governance and Audit (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.
- 5.2. The Corporate Manager and Audit Manager positions are currently vacant and the team's Principal Auditors are formally acting up to cover these roles and responsibilities in relation to Internal Audit.
- 5.3. Internal audit can also, where resources and skills exist, provide additional services. Additional services would normally be advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 5.4. The planning process and risk assessment is detailed more fully in Appendix A. Through this additional and thorough consultation we look to ensure that internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.
- 5.5. 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 2018-19 is included in Appendix A.
- 5.6. In accordance with 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 has been consulted on the plan prior to presentation to the Audit and Governance Committee.

- 5.7. The plan is designed to fulfil the requirement to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement. However, as in previous years, it is proposed that the plan will be developed and refined throughout the forthcoming year, to ensure it continues to address organisational priorities and reflects the available level of audit resource.
- 5.8. There are a number of key themes emerging within the 2018/19 Internal Audit Plan, including:
- 5.8.1. Providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved
 - 5.8.2. Providing assurance on the progress and nature of improvement activity across Procurement, Commissioning and Contract Management
 - 5.8.3. Reviewing key delivery areas associated with high financial values and high levels of customer interaction
 - 5.8.4. Providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed and improved
- 5.9. In accordance with the Council's Internal Audit Charter, the Audit and Governance Committee is asked to review and approve the summary internal audit plan 2017/18. In doing so, Members should consider whether the:
- 5.9.1. 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
 - 5.9.2. level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Standards
 - 5.9.3. level of non-assurance work has an adverse impact on the core assurance work.
- 5.10. In recognition of the ongoing resourcing issues within Internal Audit, to reflect the changing demands of the organisation and the way in which assurance needs to be provided, preparations are underway to develop a new structure to deliver Internal Audit and Counter Fraud services.
- 5.11. The new structure is intended to protect the Internal Audit resource and expand the amount of pro-active Counter Fraud work undertaken, with both

contributing to securing ongoing improvements in the Council's control environment.

- 5.12. Consultation on a new structure is planned to begin in March 2018 and this will, in turn, require the Internal Audit plan for the year to be revised. The revised plan will be updated and brought back to the Committee at the earliest opportunity.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. 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."
- 6.1.2. The guidance accompanying the Regulations recognises 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.

6.2. Finance Implications

- 6.2.1. 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. No general contingency allocation has been included at this stage.
- 6.2.2. The Draft Internal Audit Plan 2018-19 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan. If an imbalance between the two arises the Committee will be informed of proposed solutions.
- 6.2.3. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

6.3. Equality Implications

6.3.1. There are no direct implications for Equality and Diversity.

6.4. Human Resources Implications

6.4.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that that sufficient resource is available to deliver this. Consultation on a proposed structure will begin in early 2018/19. The appropriate consultation procedure will be undertaken in line with the Council's process.

6.5. Risk Management Implications

6.5.1. Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, in turn ensure improvements governance and the control environment.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. The Internal Audit plan supports the operation of the entire Council. All Wards are therefore affected.

8. Consultation & Engagement

8.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is discussed in greater detail in Appendix A.

9. Access to Information

9.1. The following are links to relevant standards and regulations

9.1.1. [Public Sector Internal Audit Standards \(PSAIS\)](#)

9.1.2. [The Accounts and Audit Regulations 2015](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

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Job Title: Principal Auditors

Email: josie.griffiths@cheshireeast.gov.uk

Michael.todd@cheshireeast.gov.uk



Summary Internal Audit Plan 2018/19

www.cheshireeast.gov.uk

Internal Audit

First Floor, Westfields

Cheshire East Council

Sandbach, CW11 1HZ

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Cheshire East Council - Summary Internal Audit Plan 2018/19

1 Introduction

- 1.1 This document sets out Cheshire East Council's Summary Internal Audit Plan for 2018/19. 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 objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Corporate Manager Governance and Audit 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.
- 1.3 The Corporate Manager and Audit Manager's roles are currently vacant, and the team's Principal Auditors are formally acting up to cover these roles and responsibilities in relation to Internal Audit.
- 1.4 The summary Internal Audit plan for 2018/19 is shown in Table 1 at the end of this document.
- 1.5 In developing the 2018/19 summary plan we have looked to recognise the context of strategic and operational change affecting the Council, and to focus on providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.
- 1.6 The audit planning process undertaken this year has considered the widest range of factors yet in prioritising the audit universe and developing the summary plan.
- 1.7 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 the course of the next financial year, 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.
- 1.8 The provision of assurance is the primary role for Internal Audit. This role requires the Corporate Manager Governance and Audit, 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).
- 1.9 In recognition of the ongoing resourcing issues within Internal Audit, to reflect the changing demands of the organisation and the way in which assurance needs to be provided, preparations are underway to develop a new structure to deliver Internal Audit and Counter Fraud services. The new structure is intended to protect

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the Internal Audit resource and expand the amount of pro-active Counter Fraud work undertaken, with both contributing to securing ongoing improvements in the Council's control environment.

- 1.10 Consultation on a new structure will begin in March 2018 and this will, in turn, require the Internal Audit plan for the year to be revised. The revised plan will be updated and brought back to the Committee at the earliest opportunity.

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) as "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 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 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 PSAIS. Internal Audit staff are also bound by the code of ethics from their respective professional bodies.

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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.

- 3.3 In order 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.

4 Planning Methodology

- 4.1 The planning process undertaken recognises the requirements of the Public Sector Internal Audit Standards in relation to planning. In accordance with PSIAS, 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 2018/19 has been developed using a risk based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan must take into account 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 risk management, performance management and other assurance processes.

- 4.4 As the Council has recognised its current level of risk maturity as between "risk aware and risk defined" and has established the target of becoming "risk managed"¹, additional 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.

- 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. Factors considered in the risk assessment of the universe include:

¹

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CIId=241&MIId=5685>

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- Consideration of the objectives from the Cheshire East Council's Corporate Plan, 2017-2020²
- Risks and opportunities recognised on the Corporate Risk Register
- Briefings from CIPFA's Better Governance Forum
- Items in the 17/18 Plan which are in train at the year end, or need to be rolled forward into the new plan.
- Consultation with key stakeholders, internal to CEC: Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff.
- External stakeholders: External Audit, Cheshire West and Chester Internal Audit, and the North West Chief Audit Executive Group.
- Other assurance providers and coverage from previous internal audit plans.

4.7 The Plan will be continue to be reviewed and defined during 2018/19, to ensure the following processes are considered:

²

<http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s45752/Medium%20Term%20Financial%20Strategy%20-%20Appendix%20B.pdf>

- 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 outcome from the external assessment of Internal Audit against the Public Sector Internal Audit Standards.
- The outcome of consultation on a new structure for Internal Audit and Counter Fraud Services.
- The continuing development of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources.

4.8 In delivering the 2018/19 Plan, there will be a need to take account of the following:

- the requirement to use specialists, e.g. IT or contract and procurement auditors

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- outcomes from collaborative working including the development of the Quality Assurance and Improvement Programme (QAIP) and in particular the external assessment against the PSIAS (i.e. the Definition of Internal Auditing, the Code of Ethics and the Standards themselves) for compliance
- 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.

4.9 Minor changes to the plan will be discussed with the Interim Executive Director of Corporate Services, and any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

5 Key Themes and Outputs

- 5.1 There are a number of key themes emerging within the 2018/19 Internal Audit Plan, including:
- Providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved

- Providing assurance on the progress and nature of improvement activity across Procurement, Commissioning and Contract Management
- Reviewing key delivery areas associated with high financial values and high levels of customer interaction
- Providing assurance that identified issues in relation to land acquisitions and disposals have been effectively and efficiently addressed and improved

5.2 The outputs from the plan fall into two main areas:

Assurance Audits

On completion of an assurance audit an opinion report is issued to management on the risks and controls of the area under review. This builds up to the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

Consulting Services

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.

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5.3 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 Corporate Manager Governance and Audit's Annual Internal Audit Opinion include:

- Key Financial Systems
- Corporate Core and Cross Service Systems
- Service Specific Systems
- Anti- Fraud and Corruption – Proactive reviews
- Project/contract audit
- ICT/Computer audit
- Investigations
- Continuous auditing/monitoring
- Probity/compliance audit
- External clients

5.4 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 and co-ordination for the production of the Annual Governance Statement (AGS). Attendance at Corporate Assurance Group and other working groups; Information Governance Group etc.

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 Audit Commission secure website, update reports presented to the Corporate Assurance Group.

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.

5.5 Other work that will not necessarily inform the annual opinion includes:

Corporate Work

- Supporting the Audit and Governance Committee including production of reports
- External Audit liaison

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- Support and contribution to Corporate 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/reports and referrals received under the Council's Whistleblowing Policy
- Awareness raising
- Supporting the production of Corporate Policies and Procedures

5.6 In accordance with CIPFA guidance³ the Corporate Manager Governance and Audit, 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.

5.7 In addition time has been allocated in the plan for the service to be developed and improvements made.

5.8 Internal Audit also provides services to PATROL⁴, 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.

³ "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010

⁴ The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.

Cheshire East Council - Summary Internal Audit Plan 2018/19

6 Resource and Delivery

6.1 The resources currently available are outlined below:

| Audit Year | 2018/19 | 2017/18 Revised in year | 2017/18 Initial Plan |
|---|----------------|--------------------------------|-----------------------------|
| Maximum Days | 1,776 | 1,875 | 2,101 |
| Unavailable Working Days – Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave | 337 | 351 | 372 |
| Available Working Days | 1,439 | 1,523 | 1,729 |
| Non Chargeable Sub Total - Training, Planning, Team Management & Housekeeping, Service Development | 255 | 277 | 322 |
| Chargeable Days | 1,184 | 1,246 | 1,407 |

6.2 In calculating the 17/18 plan, a number of factors were assumed, including the earlier replacement of the vacant posts for Corporate Manager Governance and Audit. Although these posts have remained vacant through the year, additional resource has been available within the team from staff members temporarily increasing their working hours and the purchase of additional resource from Veritau for specific work. To reflect these adjustments in resource, an updated

calculation has been shown in the comparison table in 6.1

- 6.3 The decrease in chargeable days from 2017/18 to 2018/19 reflects the resource in the current Internal Audit team structure. All resource for 2018/19 has been calculated at current contracted hours and does not include any arrangements for additional hours.
- 6.4 The Summary Internal Audit Plan 2018/19 has been prepared, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion.
- 6.5 The current Internal Audit Team includes two Principal Auditors (2FTE), 4 Senior Auditors (2.75FTE) and 3 Auditors (2.08FTE). There are current vacancies for the Audit Manager, Corporate Manager Audit and Governance, and a 0.6 FTE Senior Auditor post. As referenced earlier, preparations to restructure the team are underway and a revised plan will be brought back in due course.
- 6.6 A contingency figure is normally included to recognise that the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. The plan does include a small amount of time for advice and guidance. It does not include an additional general contingency, although there a specific contingency for

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reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.

- 6.7 Where 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 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.
- 6.8 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.
- 6.9 Internal Audit's key priority will always be to deliver the assurance programme of work in order 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.

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8.3 The external assessment against PSIAS was carried out under the peer review arrangement with the North West Chief Audit Executive Group in January 2018 and a report on the outcome of the assessment and an action plan for any required actions will be brought to the May 2018 Audit and Governance Committee.

Performance Indicators

8.4 Internal Audit has a number of existing Performance Indicators that are reported to the Audit and Governance Committee through the year via interim reporting and the Annual Report. For 2018/19 these are:

| Performance Indicator | Draft 18/19 Target | 2017/18 Target | 2016/17 Actual |
|--|--------------------|----------------|----------------|
| Percentage of Audits completed to user's satisfaction | 94% | 92% | 94% |
| Percentage of significant recommendations agreed | 95% | 90% | 100% |
| Productive Time (Chargeable Days) | 85% | 80% | 83% |
| Draft report produced promptly (per Client Satisfaction Form) | 95% | 95% | 90% |
| Percentage of agreed audit recommendations implemented | 90% | 90% | 97% |
| Percentage of agreed audit recommendations implemented within agreed timescale | 75% | 75% | 85% |

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8.5 Targets for 2018/19 will be confirmed following assessment of actual performance in 2017/18.

Benchmarking

8.6 Benchmarking is a useful tool to help drive improvements and deliver value for money. Internal Audit participated in the 2015/16 CIPFA Benchmarking Club, and will continue to use the feedback from this exercise to inform and develop the Internal Audit function and the plan as necessary.

Collaboration

8.7 The Principal Auditors have continued 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.

8.8 The group also has a number of sub groups, including Schools, Fraud and Contract Management which are attended by members of the Internal Audit team. These are extremely useful for sharing best practice, and learning from colleagues' experiences.

8.9 Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits

Cheshire East Council - Summary Internal Audit Plan 2018/19

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.

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Table 1: Summary Internal Audit Plan 2018/19

| Audit Theme/Area <i>Identified Key Areas</i> | Drivers <i>Corporate Risks and Corporate Outcomes</i> | Context | 2018/19 Planned Audit Days | 2018/19 Planned % |
|---|---|---|-------------------------------------|-------------------------|
| Chargeable Days | | | 1,184 | |
| Less: Corporate Work | | | 160 | |
| <i>Includes:</i> <ul style="list-style-type: none"> • Corporate Requirements: Corporate Management, Performance Development Review Process • Corporate Groups and Assurance: Executive Monitoring Board, Corporate Assurance Group, Annual Governance Statement, Assurance Framework development • Audit and Governance Committee: Reports taken on behalf of other areas of the Council, Committee Administration, Work Plan Development, Member Liaison and Development. Member/Officer Sub Groups | <ul style="list-style-type: none"> • CR6: Countering Fraud and Corruption • CO6: A responsible effective and efficient organisation | Activities which the Internal Audit function are required to participate in corporately, or have direct responsibility for providing. | | |
| Available Audit Days | | | 1,024 | |
| Corporate Governance and Risk | | | 120 | |
| <i>Includes:</i> <ul style="list-style-type: none"> • Audit and Governance Committee: Internal Audit reports to Committee. • Corporate Groups – Corporate Assurance Group, Information Governance Group • Collaboration: External Audit - Grant Thornton/Mazaars Liaison • Regional Collaboration - Working with regional internal audit partners | <ul style="list-style-type: none"> • CR6: Countering Fraud and Corruption • CO6: A responsible effective and efficient organisation | Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion. | | |

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| Audit Theme/Area <i>Identified Key Areas</i> | Drivers <i>Corporate Risks and Corporate Outcomes</i> | Context | 2018/19 Planned Audit Days | 2018/19 Planned % |
|---|---|---|-------------------------------------|-------------------------|
| <ul style="list-style-type: none"> Reviewing corporate and operational risk management arrangements | | | | |
| Anti-Fraud and Corruption - Proactive Reviews | | | 40 | |
| <i>Includes:</i> National Fraud Initiative, Developing an anti-fraud culture, Review associated anti-fraud arrangements and policies | <ul style="list-style-type: none"> CR6: Countering Fraud and Corruption CO6: A responsible effective and efficient organisation | Statutory requirement – NFI/Responding to fraud trends/Awareness raising. | | |
| Anti-Fraud and Corruption - Reactive Investigations | | | 50 | |
| Specific contingency for reactive investigations in response to demand. | <ul style="list-style-type: none"> CR6: Countering Fraud and Corruption | Undertaken/supported as necessary after appropriate risk assessment. | | |
| Key Financial Systems | | | 145 | |
| <i>Includes:</i> Schools Financial Value Standard ERP Replacement Purchase Cards | <ul style="list-style-type: none"> CR3: Financial Resilience CO2: Cheshire East has a strong and resilient economy CO6: A responsible, effective and efficient organisation | Provision of assurance to S151 Officer on identified high risk areas. Review of new arrangements and follow up of previous recommendations. Potential risk of mis-statement in the Authority's financial statements. | | |
| Corporate Core and Cross Service | | | 255 | |
| <i>Includes:</i> Corporate Governance Ethical Framework Procurement and Contract Management Debt Management and Recovery ICT Assurance ASDVs – Fulfilment of Statutory Requirements Major Projects and Change Management | <ul style="list-style-type: none"> CR1: Increased Demand for People Services CR3: Financial Resilience CR5: Information Security and Cyber Threat CR9: Increased Major Incidents CR10: Business Continuity | Key Corporate and Cross service risks. Provision of assurance relating to specific service areas, including commissioning arrangements for key service delivery areas and assurance on management and delivery of key projects. Grant certifications. | | |

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| Audit Theme/Area <i>Identified Key Areas</i> | Drivers <i>Corporate Risks and Corporate Outcomes</i> | Context | 2018/19 Planned Audit Days | 2018/19 Planned % |
|---|--|--|-------------------------------------|-------------------------|
| LEP Assurance Appointment and Induction Process (Senior Management) | <ul style="list-style-type: none"> CR11: Employee Engagement and Retention CO2: Cheshire East has a strong and resilient economy CO5: People live well and for longer CO6: A responsible, effective and efficient organisation | | | |
| Children and Families | | | 64 | |
| <i>Includes:</i> Children' Direct Payments, Placement Management, Dedicated Schools Grant Sub Regional Adoption Board, Family Focus Payment Cards | <ul style="list-style-type: none"> CR1: Increased Demand for People Services CO3: People have the life skills and education they need in order to thrive CO6: A responsible, effective and efficient organisation | Key Corporate and Cross service risks Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects. Grant certification | | |
| Adult Social Care | | | 65 | |
| <i>Includes:</i> Health and Social Care Integration Commissioning Cycle Direct Payments Process Information Governance and Data Handling | <ul style="list-style-type: none"> CR1: Increased Demand for People Services CR2: NHS Funding and STP Impact CO5: People live well and for longer | Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing performance management and the achievement of outcomes. | | |
| Public Health | | | 15 | |
| Information Governance and Data Handling – Information Sharing Agreements | <ul style="list-style-type: none"> CR4: Contract and Relationship Management CO5: People live well and for | Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing | | |

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| Audit Theme/Area <i>Identified Key Areas</i> | Drivers <i>Corporate Risks and Corporate Outcomes</i> | Context | 2018/19 Planned Audit Days | 2018/19 Planned % |
|--|--|--|---|----------------------------------|
| | longer | performance management and the achievement of outcomes. | | |
| Community and Partnerships | | | 15 | |
| <i>Includes:</i> Community Grants Scheme | <ul style="list-style-type: none"> • CR8: Community Cohesion • CO1: Our local communities are strong and supportive • CO6: A responsible, effective and efficient organisation | Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas and reviewing performance management in front line service area. | | |
| Planning and Sustainable Development | | | 20 | |
| <i>Includes:</i> Development Control | <ul style="list-style-type: none"> • CO2: Cheshire East has a strong and resilient economy • CO4: Cheshire East is a green and sustainable place • CO6: A responsible effective and efficient organisation | Outcome from reviewing key departmental and service risk areas; review key delivery areas of high financial value and high levels of customer interaction. | | |
| Infrastructure and Highways | | | 30 | |
| <i>Includes:</i> Supporting Highways Service Contract procurement Grant Certifications | <ul style="list-style-type: none"> • CRO4: Regeneration Funding • CO1: Our local communities are strong and supportive • CO2: Cheshire East has a strong and resilient economy • CO6: A responsible effective and efficient organisation | Outcome from reviewing key departmental and service risk areas; grant certifications, review of high profile partnership arrangements. Grant certification. | | |
| Growth and Regeneration | | | 40 | |
| <i>Includes:</i> Land Acquisitions and Disposals Homelessness Duty | <ul style="list-style-type: none"> • CRO4: Regeneration Funding • CO1: Our local communities are strong and supportive | Outcome from reviewing key departmental and service risk areas; review key delivery areas of high financial value and high levels | | |

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| Audit Theme/Area <i>Identified Key Areas</i> | Drivers <i>Corporate Risks and Corporate Outcomes</i> | Context | 2018/19 Planned Audit Days | 2018/19 Planned % |
|--|--|--|---|----------------------------------|
| | <ul style="list-style-type: none"> CO2: Cheshire East has a strong and resilient economy CO6: A responsible effective and efficient organisation | of customer interaction. Grant certification. | | |
| Rural and Green Infrastructure | | | 15 | |
| <i>Includes:</i> Event Management | <ul style="list-style-type: none"> CO4: Cheshire East is a green and sustainable place CO6: A responsible effective and efficient organisation | Outcome from reviewing key departmental and service risk areas; review key delivery areas of high financial value and high levels of customer interaction. | | |
| Providing Assurance to External Organisations | | | 40 | |
| <i>Includes:</i> PATROL <i>Other organisations may request assistance in year, subject to available resource</i> | <ul style="list-style-type: none"> Host Authority arrangement | Provide assurance in agreed format, similar to former Small Bodies Annual Return | | |
| Advice and Guidance | | | 30 | |
| <i>Includes:</i> Provision of ad-hoc advice and guidance to services | <ul style="list-style-type: none"> CO6: A responsible effective and efficient organisation | Add value and improve overall governance, risk management and control processes within the organisation. | | |
| Other Chargeable Work | | | 80 | |
| <i>Includes:</i> Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions Note: Contingency is currently zero. | <ul style="list-style-type: none"> CO6: A responsible effective and efficient organisation | Specific requests from services Follow up implementation of recommendations, including further testing or additional work where necessary. | | |
| Total Audit Days | | | 1,024 | |

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Audit & Governance Committee Report

Date of Meeting: 15 March 2018

Report Title: Update on the Council's Whistleblowing Arrangements and Development of New Policy

Portfolio Holder: Cllr Paul Findlow

Senior Officer: Daniel Dickinson/Sara Barker

1. Report Summary

- 1.1. Members were previously advised that the Council's Whistleblowing Policy and arrangements would be reviewed by Public Concern at Work (PCaW), in addition to the provision of additional whistleblowing support by PCaW to complement the Council's existing arrangements. This report provides an update on the use of the additional support and on the outcome of the review.
- 1.2. It is essential that the Council's Whistleblowing policy and procedures are compliant with best practice to inspire confidence and trust in the arrangement by those able to use them. Encouraging staff to voice concerns they may have are fundamental to supporting the Council's corporate objective of being a responsible, effective and efficient organisation.

2. Recommendations

- 2.1. That the Committee
 - 2.1.1. Note the progress made in implementing the action plan developed to address the findings of the policy review. (Appendix B)
 - 2.1.2. Approve the revised Whistleblowing Policy (Appendix C).

3. Reasons for Recommendations

- 3.1. The Audit and Governance Committee has responsibility for monitoring and approving the Council's Whistleblowing policy and therefore needs to be provided with periodic assurance on the effectiveness of these arrangements.

4. Other Options Considered

- 4.1. The alternative option of not obtaining an external review and additional support for the Whistleblowing Policy would not have achieved the objective of ensuring an independent assessment on the adequacy of the Council's arrangements.

5. Background

- 5.1. The Council is committed to the highest possible standards of openness, honesty and accountability and does not tolerate malpractice or wrongdoing. We value our employees and the services that they provide to the people of Cheshire East and as such we need to know when things are going wrong.
- 5.2. As reported to this Committee in September 2017, Cheshire East committed to undertake a review of its existing whistleblowing arrangements to ensure that the end to end process is fit for purpose and that there is adequate support in place for its staff.
- 5.3. Further to a procurement exercise the Council appointed Public Concern at Work to deliver additional whistleblowing support to complement its current arrangements and undertake a review of current arrangements.
- 5.4. Public Concern at Work is an independent whistleblowing charity and legal advice centre. Launched in 1993; they have worked extensively in a variety of ways with many commercial, financial, voluntary, and public sector organisations.
- 5.5. The level of support PCaW are providing to Cheshire East Council is as follows:
 - 5.5.1. Provision of an independent Whistleblowing Advice Line (email and Freephone number during the working hours of 09.00am -6.00pm Monday to Friday, excluding bank holidays) providing safe and confidential advice to our staff should they ever find themselves in a dilemma about what to do if they witness wrongdoing in their workplace.
 - 5.5.2. A full desk based review of current policy, procedures and supporting documents, to be benchmarked against the Whistleblowing Commission's Code of Practice. PCaW will provide a RAG rated report with recommendations and an action plan for improvement.
 - 5.5.3. Provision of a best practice guide, presentation, attendance at training workshops and an annual report on the volumes of calls to the advice line and freephone number.

- 5.6. The support arrangements commenced on 1st October 2017. An initial progress report and consideration of further action required has been undertaken.

Independent Whistleblowing Advice Line

- 5.7. Both the telephone line and the email address went live as of the 1st October 2017. The arrangements have been publicised across the Council via an all staff email, through Team Voice (staff newsletter), and an article on the staff intranet.
- 5.8. PCaW are required to provide an annual report on volume, but further to a request have confirmed that as of the 1st February activity for both the freephone and email is as follows:

- 5.8.1. No emails have as yet been received via cheshirespeakout@pcaw.org.uk
- 5.8.2. Two telephone calls have been received by PCaW to the Cheshire East dedicated telephone number; as the advice line is entirely confidential, we will not receive any further details as to the nature of the telephone call or any advice given..

Desk based review of current policy, procedures and supporting documents, to be benchmarked against the Whistleblowing Commission's Code of Practice.

- 5.9. On the 4th December 2017, PCaW submitted a report of findings along with a RAG rating for relevant Code of Practice (CoP) principles on their desk top review of the Council's whistleblowing arrangements (Appendix A). It should be noted that the Council scored mostly amber and green against the CoP standards.
- 5.10. In summary the key recommendations relate to:
- 5.10.1. Cheshire East Council Whistleblowing Policy - CEC to review the policy in light of stated observations and specific recommendations in the RAG assessment;
- Consistent and uniform definition,
 - Suggested amendments to wording used within policy,
 - Policy could be made simpler.
- 5.10.2. Draft Procedures
- Reinforcement of key messages and assurance to staff,
 - Accuracy of procedures (in relation to the Public Interest Disclosure Act).

- 5.10.3. Communications
- Communicate the whistleblowing arrangements
 - Clear reinforcement and endorsement from the Corporate Leadership Team
- 5.10.4. Training
- Training materials to be refreshed
 - Support ongoing training for line managers on the policy and procedures
- 5.10.5. Report to Audit and Governance Committee
- Inclusion of data and feedback on our arrangements to inform future work plans and provide a measure of effectiveness.
- 5.11. An action plan has been developed to address the findings of the desk top review (Appendix B).

Compliance toolkit (including PCaW's model policy, Best Practice Guide and a whistleblowing presentation)

- 5.12. No work has commenced as yet that utilises the compliance toolkit, this is built into the action to respond to the findings of the desk top review.

Two places at the PCaW expert whistleblowing training workshops.

- 5.13. PCaW hold monthly training workshops. It is suggested that attendees from Internal Audit and HR attend the workshop within the next three months.
- 5.14. As outlined in the action plan (Appendix B) further work is now needed to address the findings of the desk top review. This work will be led by Sara Barker, Head of Strategic HR.

Updated Whistleblowing Policy

- 5.15. In recognition of the comments and feedback from PCaW on the length of the existing policy, the potential for mixed messages, and the benefits of a uniform definition of whistleblowing, a revised Whistleblowing Policy, based on the model policy provided by PCaW is attached as Appendix C.
- 5.16. This policy will be supported by the development of internal procedures and training for Officers and Members who may receive concerns.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legislative framework for whistleblowing in England is contained in the Employment Rights Act 1996, as amended the Public Interest Disclosure Act 1998 (PIDA), and the Enterprise and Regulatory Reform Act 2013 (ERRA). The purpose behind these Acts is to provide protection to those employees who raise concern, and ensure that they are not unfairly treated as a result of raising their concern.
- 6.1.2. The whistleblowing legislation does not impose any positive obligations on employers to encourage whistleblowing or to implement a whistleblowing policy. However, the Government expects all public bodies to have written policies and the whistleblowing arrangements in local authorities are assessed as part of their annual audit process.

6.2. Finance Implications

- 6.2.1. Unless employees have confidence in the Council's whistleblowing arrangements, they are likely to stay silent where there is a threat to the employer or the wider public interest. Such silence denies the organisation the opportunity to deal with a potentially serious problem before it causes real damage. The costs of such a missed opportunity can be great in terms of fines, compensation, higher insurance premiums, fraudulent cases and poor value for money.

6.3. Equality Implications

- 6.3.1. An equality impact assessment has been completed with no issues identified.

6.4. Human Resources Implications

- 6.4.1. Given recent concerns in the press and on social media around the potential effectiveness of the Council's whistleblowing arrangements and issues raised by members of the Audit and Governance Committee, the Council wishes to ensure that every effort is taken to improve confidence in our arrangements and that all staff feel able to voice any concerns that they may have, hence the independent review of arrangements being commissioned.
- 6.4.2. Assessment of the arrangements and implementation of actions arising from the review will improve confidence in our arrangements and support staff to feel able to voice any concerns that they may have. The implementation of actions arising from the Whistleblowing review will also support and be supported by the actions arising from the LGA's Review of Culture which has recently reported.

6.5. Risk Management Implications

6.5.1. Without clear arrangements which offer employees safe ways to raise a whistleblowing concern, it is difficult for an organisation to effectively manage the risks it faces.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. The Whistleblowing Policy is applied across the Council.

8. Consultation & Engagement

8.1. No formal consultation has taken place as this is a change to an existing policy. However, input has been received from Corporate Leadership Team and Unison.

9. Access to Information

9.1. ["Whistleblowing Arrangements" report to Audit and Governance Committee, 28th September 2017](#)

9.2. [Local Government Association Culture Review – Cheshire East Council](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Sara Barker

Job Title: Head of Strategic HR

Email: sara.barker@cheshireeast.gov.uk

Review of Cheshire East Council's Whistleblowing Arrangements by Public Concern at Work

In September 2017 Cheshire East Council (CEC) engaged the business support services of Public Concern at Work (PCaW). As the leading authority on whistleblowing, PCaW are supporting CEC through a bespoke support package to ensure that individuals who witness wrongdoing or malpractice at CEC are empowered to speak up. As part of this support PCaW have conducted a desk-based review of the current whistleblowing arrangements at CEC.

This review analysed documentation provided to PCaW by CEC and therefore does not look to verify whether policy messages are embedded in practice. The report utilises a Red-Amber-Green (or 'RAG') formula to assess CEC's arrangements against the Whistleblowing Commission's Code of Practice (CoP).¹ Working through the principles of the CoP, a red score highlights recommendations for immediate action by CEC, amber indicates that some improvement is recommended, and green confirms that the principle is satisfied and therefore no action is required.

PCaW have recommended that this review be undertaken in conjunction with a series of interviews with CEC staff and management in order to better gauge awareness and understanding of the policy and procedure. Interviewing individuals who have experience of raising concerns at CEC, line managers, and other contacts prescribed in the policy will also assess levels of trust and confidence. CEC has delayed the decision to proceed with interviews until after this report is published.

This RAG report is also limited in its scope as PCaW were only provided with the following documents to review:

- CEC Whistleblowing Policy – last updated July 2016
- Whistleblowing web page – (available on internet and staff intranet ('centranet'))
- Draft 'Procedure following Receipt of Whistleblowing Concerns'
- Whistleblowing Arrangements Update Report to Audit & Governance Committee – September 2017
- 'Team Talk' staff newsletter article – November 2016
- Whistleblowing training presentation – delivered to Audit and Governance Committee

¹ The Whistleblowing Commission was established by PCaW in 2013. The Independent Commissioners took evidence from stakeholders in whistleblowing and published a report in November 2013 that included a proposed Code of Practice (CoP), which forms the basis of PCaW's best practice guidelines. Copies of the full Commission report including the CoP are available on our [website](#).

Other documents which could be assessed against the CoP include:

- Other policies and procedures which have a connection to whistleblowing (e.g. Grievance, Anti-Fraud or Safeguarding policies, Code of Conduct etc.)
- Other staff wide communications and other marketing materials
- Staff Induction materials
- Podcast and Webinars
- Staff survey questions and answers
- Staff briefings
- Organisational Values
- Structure Charts

Observations and Recommendations

The report tabled below assesses CEC's whistleblowing arrangements against the Code of Practice (CoP), providing a RAG rating for each of the relevant CoP principles. We have included **specific recommendations in bold** throughout the table. Having reviewed all of the documentation provided we make the following overarching observations and recommendations:

1. Policy

Overall we would suggest that the policy could be made simpler (see our model policy at Appendix A). The basics of a good policy are a strong message that staff are encouraged to raise concerns, concerns will be taken seriously, confidentiality will be ensured where possible and that those who raise concerns will be protected from victimisation. These messages should be reflected across the arrangements, including on the intranet web pages, training and in any communications. While these key messages are present in the policy and supporting documents (please note that CEC score mostly amber and green against CoP standards) they risk being diluted by mixed messaging; for example:

- PCaW agree that it is preferable for concerns to be raised openly and for staff to identify themselves. For any employer, concerns raised openly are easier to investigate and indicative of a culture where staff feel able to speak-up without fear of reprisal (section 4.1 of the policy). This positive culture is something CEC and other organisations can aim for, but there may always be cases where staff do not feel able to raise concerns openly. Encouraging open or confidential reporting is therefore understandable but anonymous reports can provide vital information that CEC may need to be aware of. Actively discouraging anonymous concerns (section 6.1 of the policy & intranet web page), references to *hidden agendas*, and *witch hunts* (section 4.4), and confidential reporting leading to *speculation and an unpleasant atmosphere* (section 5.3) take away from positive messaging that staff are encouraged to speak-up and may ultimately dissuade staff from raising concerns.
- CEC could consider ensuring a uniform definition of whistleblowing throughout the arrangements. The policy refers to whistleblowing as raising *serious* concerns (section 1.3), suspicions of impropriety (section 1.4), fraud, crime, danger or other serious risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation (section 2.1) and danger or illegality that has a public interest to it (section 2.2). Please refer to PCaW's definition of whistleblowing included in the table below. The review further highlights the problems with the policy applying to serious concerns and internal disclosures only.
- The policy and intranet page outline that the purpose of the policy is to encourage and enable employees to raise concerns within the Council, rather than 'blowing the whistle' outside the organisation. This wording conflicts with the name of the policy itself and with the newsletter article,

where 'whistleblowing' refers to concerns raised internally. We would recommend removing this wording altogether as this message could potentially be harmful i.e. that raising a concern externally is a negative act. PCaW appreciate that organisations want to encourage internal reporting as much as possible but it is important to note that external reporting – particularly if signposted to the relevant regulator – is preferable to staff staying silent about wrongdoing. It is encouraging therefore that the policy does provide staff with the option to contact external bodies.

We would recommend CEC review the policy in light of these observations, taking account of specific recommendations included in the table below.

2. Draft procedures

It is encouraging that Line Managers will be provided with guidance through the draft procedure. As the first point of contact for staff raising concerns, line managers often need clear direction on how to respond when whistleblowing concerns are raised with them. It is important that they provide key reassurances to staff. PCaW recommend that the main reassurances be that CEC take any raised concern seriously, maintain confidentiality and protect the whistleblower. Legal protection under the Public Interest Disclosure Act (PIDA) can provide important reassurance to staff, but we think this should be secondary to key messaging that CEC will protect staff who speak up.

Please note, it is incorrectly stated that for an internal disclosure to have protection under PIDA, a whistleblower needs to raise something they reasonably believe *to be true*. The legal test for raising concerns internally requires only a disclosure of information which in the reasonable belief of the worker tends to show one of the categories of wrongdoing. It is also not correct that anonymous whistleblowers are not protected under PIDA, although it is practically more difficult for a worker to seek protection if there is no record of having raised concerns.

Rather than outlining PIDA protection to staff, CEC can assure them it will protect them and signpost them to the independent advice available from PCaW and the legal provisions. Please see Appendix C for sample wording for reference to PIDA.

It is sensible that the procedure sets out the next steps for managers handling concerns. We would recommend that line managers also further explain to staff the actions they will take (e.g. escalation to more senior management or an investigation team).

3. Communications

This review and any further work undertaken by CEC (e.g. publication of the draft procedure) provides a good opportunity to recommunicate the whistleblowing arrangements to staff and show an ongoing commitment to improving the whistleblowing culture across CEC. Communications should

contain strong messaging around the key assurances. To further instill trust and confidence in the arrangements, CEC could consider incorporating case studies and examples of positive outcomes of whistleblowing. These could be anonymised with the consent of staff who reported the wrongdoing. We also recommend communications include clear endorsement from senior leadership within CEC to show a commitment to empowering staff to raise concerns. This 'tone from the top' is a vital element of raising awareness and instilling the required trust and confidence to drive forward a positive whistleblowing culture.

4. Training

The messaging and assurances of the policies and procedures are mirrored in the training materials, so we would recommend these are refreshed accordingly. We have made further recommendations, including the need to review the section on PIDA in the table below.

In our experience, there is an expected increase in the volume in concerns being raised following any policy refresh and subsequent promotion. We recommend considering how to train line managers in anticipation of this. It is good that the draft procedures will provide detailed guidance once published.

5. Report to Audit & Governance Committee

The draft procedure rightly requests managers and whistleblowing contacts make detailed records. This data can provide valuable information towards understanding how the whistleblowing arrangements are working within CEC and should be considered for inclusion in any future reporting.

Requesting feedback from staff who have raised concerns can provide meaningful insight into individual experiences of the arrangements which can inform future work plans and provide case studies as recommended above. This can further spread trust in the arrangements, not just of key assurances across CEC staff, but also when measuring effectiveness for oversight and leadership.

6. Interviews

Interviewing staff who have used the whistleblowing arrangements will capture feedback on their experience, will gauge awareness and better inform CEC whether policy messages are operating in practice. This will highlight whether and where the process might be improved. Similarly, engaging directly with line managers can also gauge understanding of arrangements, including the procedure for handling concerns such as escalation, recording and reporting requirements.

RAG Review of Cheshire East Council's Whistleblowing arrangements

(RAG Review Key: Red = immediate action required, Amber = some action required, Green = no action required)

| RAG Assessment | Score | Reasoning / Recommendations |
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| <p><i>As part of the whistleblowing arrangements, there should be written procedures covering the raising and handling of concerns. These procedures should be clear, readily available, well-publicised and easily understandable. (CoP section 4)</i></p> | <p>Amber</p> | <p>1.1. CEC has a written policy entitled 'Cheshire East Council Whistleblowing Policy', last updated July 2016 ('the policy'.) There are also separate draft procedures aimed at handling concerns entitled 'Procedure Following the Receipt of Whistleblowing Concerns' ('the procedure'). Presumably the procedure is aimed at all line managers within CEC as they could potentially be the recipient of a whistleblowing concern.</p> <p>1.2. We have been provided with an intranet page for whistleblowing where the policy can be downloaded and have confirmed that this page is live ('the intranet page'). We also understand the policy was last publicised in the staff 'Team Talk' newsletter in November 2016 ('the newsletter').</p> <p>1.3. PCaW's Code of Practice recommends having written procedures covering the raising and handling of concerns. CEC meets this requirement, notwithstanding the procedure being in draft form. We would make the following comments:</p> <p>1.4. The policy is quite lengthy at 10 pages. Whilst there is no ideal length of a whistleblowing policy and it will vary between organisations, it is important that the policy is clear and concise in encouraging staff to raise concerns, providing the key reassurances that concerns will be taken seriously and staff who raise concerns will be protected.</p> <p>1.5. Lengthy and very detailed policies can act as a barrier to staff when raising concerns. This is why our model policy in Appendix A is much shorter and very simple. CEC may wish to consider</p> |

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| | | <p>simplifying the policy or emphasising and clarifying key messages and assurances in the introduction.</p> <p>1.6. The policy makes reference to school staff being covered by their school’s own whistleblowing policy. We support all CEC employees having access to whistleblowing arrangements, which enshrine the key policy messages as outlined in this report, either through this policy or locally within schools / other CEC organisations.</p> <p>1.7. The newsletter article makes reference to staff who do not have access to ICT facilities. This is an important consideration when ensuring that policies and procedures are well publicised and readily available. We would encourage you to consider how to make the policy, procedure and any communications accessible to all staff, taking into account their location, access to ICT and any other barriers.</p> <p>1.8. CEC could also carefully utilise any future opportunities to publicise and promote the arrangements (e.g. a policy refresh.)</p> |
| <p><i>Should identify the types of concerns to which the procedure relates, giving examples relevant to the employer (CoP section 5(a))</i></p> | <p>Amber</p> | <p>2.1 At section 2.5, the whistleblowing policy provides a list of types of concerns which fall within the scope of the policy. The list is also reflected on the whistleblowing webpage. We would make the following comments:</p> <p>2.2 We advise employers against relying solely on the six categories of wrongdoing required by the legal test for a ‘protected disclosure’ under the Public Interest Disclosure Act, as these can appear over-legalistic, unspecific and irrelevant to the workplace in question.</p> <p>2.3 CEC reference the six legal categories (<i>criminal offence, failure to comply with legal obligation, miscarriage of justice, dangers to health and safety, damage to the environment and concealment</i>) as well as including additional specific concerns which are more relevant to a local authority</p> |

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| | | <p>setting (for instance <i>mis-use of public funds</i> or <i>abuse of clients</i>). It is important that staff understand the relevance of the whistleblowing policy to their work. We therefore recommend considering whether there are any other typical concerns which could arise at CEC, which could include concerns raised previously.</p> <p>2.4 Paragraph 1.3 of the policy outlines that the whistleblowing policy encourages and enables employees to raise concerns within the Council, rather than '<i>blowing the whistle</i>' externally. This use of terminology conflicts with the name of the policy itself and the newsletter article where '<i>blowing the whistle</i>' refers to concerns raised internally using the whistleblowing policy. The message within Paragraph 1.3 could also be potentially harmful, i.e. that raising a concern outside of the organisation is a negative act. This could result in employees staying silent about wrongdoing. We use the terms whistleblowing and raising concerns interchangeably, and we recommend CEC consider our definition of whistleblowing: "a worker raising concerns either within the workplace or externally about a danger, risk, wrongdoing or malpractice which affects others".</p> <p>2.5 The policy and other documentation make reference to <i>serious</i> or <i>major</i> concerns. Ascertaining whether a concern is serious is better judged by management or the whistleblowing team and requiring staff to make that assessment could result in them withholding vital information of wrongdoing including suspicions or risks that CEC need to be aware of.</p> <p>2.6 It is important to note that there is no legal requirement under the Public Interest Disclosure Act for staff to raise <i>serious</i> concerns in order to get protection as a whistleblower. We recommend removing any reference to <i>serious</i> or <i>major</i> and referring solely to <i>concerns</i>.</p> <p>2.7 It is also advisable to encourage staff to speak up when they have a mere suspicion or even when they are unsure. This gives the organisation the best chance of receiving valuable information which you can then assess and act upon.</p> |
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| | | <p>2.8 You should note that reference to concerns <i>in the public interest</i> can sometimes cause confusion for staff and it is simpler to rely on concerns which <i>affect others</i> (see the list in policy section 2.1). This clarification is not provided in the training materials which refer only to issues ‘with a public interest.’</p> <p>2.9 Throughout the policy, draft procedure, communications and training materials, whistleblowing is described as reporting concerns ‘<i>which fall outside the scope of other procedures.</i>’ This could produce further confusion or hesitation in staff when considering the options to report wrongdoing, if they feel they must first clarify all possible procedures. It may be simpler to distinguish between concerns which affect others (see list in section 2.1 of the policy) and private employment matters (section 2.6). Any triage of certain concerns can be undertaken by managers or whistleblowing contacts. The whistleblowing policy itself can then beneficially act as a ‘catch all’ or ‘safety-net’ policy for all concerned staff who are not sure whether or how to raise a certain issue.</p> |
| <p><i>Should include a list of the persons and bodies with whom workers can raise concerns, this list should be sufficiently broad to permit the worker, according to the circumstances, to raise concerns with:</i> (CoP section 5(b))</p> | | |
| <p>(i) the worker’s line manager</p> | <p>Green</p> | <p>3.1 Section 8.1 of the policy directs Council staff to raise any concerns with their immediate management or their superiors. Members are referred to raise concerns initially with their Group Leader. This message is consistent in both the staff newsletter and whistleblowing webpage.</p> |

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| <i>(ii) more senior managers</i> | Green | <p>4.1 Section 8.1 of the policy directs Council staff to raise any concerns with their immediate management or their superiors. Members are referred to raise concerns initially with their Group Leader. This message is consistent in both the staff newsletter and whistleblowing webpage.</p> |
| <i>(iii) an identified senior executive and /or board members</i> | Amber | <p>5.1 Section 8.2 of the policy refers to the Chief Executive, Director of Legal Services (who is also the monitoring officer) and the Corporate Manager of Governance and Audit as officers identified as appropriate contacts for both concerned staff and Members.</p> <p>5.2 Section 8.3 states that in <i>'exceptional circumstances'</i> individuals, may approach the Chair, Vice Chair or any member of the Audit and Governance Committee with concerns. You may wish to consider revising this wording to suggest that if staff feel they cannot approach any of the previous contacts they can approach the Chair, Vice Chair or any member of the Audit and Governance Committee with concerns. The term <i>exceptional circumstances</i> may present a perceived barrier to staff who may, in doubt of whether they satisfy this requirement, decide to stay silent.</p> <p>5.3 The whistleblowing webpage lists the Internal Audit Manager, a role not listed on the policy itself. The newsletter article does not make reference to senior management or board members as possible contacts.</p> <p>5.4 The Whistleblowing Webpage states if you are a Council employee you should normally raise concerns with your immediate manager or superior. You may wish to add that staff can approach the other contacts if they feel they cannot approach their manager.</p> <p>5.5 We would recommend adding Senior Executives names and contact details, where this is possible, so that staff know who they are approaching and how to make contact with them. You could also clarify who monitors the online form and email address as staff are encouraged to use these avenues.</p> |

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| <p>(iv) relevant external organisations (such as regulators)</p> | <p>Red</p> | <p>6.1 The policy makes reference to the external auditor and the police under section 11.1 and ‘other relevant professional or regulatory bodies as prescribed by the Secretary of State’ under Section 11.2.</p> <p>6.2 While it is positive that CEC staff are given the option to report concerns externally, we recommend reconsidering the messaging around external reporting:</p> <p>6.3 At present, the policy wording attempts to discourage staff from ‘<i>blowing the whistle</i>’ outside of the organisation, as ‘<i>premature or unnecessary publicity may damage the Councils reputation, impede proper investigations, or hurt individuals unnecessarily</i>’ (section 1.3). The simpler message at section 11.1, that it is hoped staff will use internal avenues but if they feel unable to they can contact outside bodies, is better.</p> <p>6.4 The telephone numbers of organisations whom it may be appropriate for CEC staff to contact could be considered. This could include any relevant trade unions (for advice), local MPs (who are prescribed persons under PIDA), locally elected councilors and any other relevant regulators such as Ofsted or the Health and Safety Executive. Please see appendix B for a list of prescribed persons.</p> <p>6.5 Furthermore, it is best practice to include the correct whistleblowing contact details for each external regulator referenced.</p> <p>6.6 Section 11.1 provides the PCaW general advice line as an ‘<i>alternative contact point</i>’ when staff feel unable to raise their concern internally, along with the external auditor and the police. We recommend clarifying that PCaW provide independent and confidential advice and are not necessarily a reporting line. Please see appendix A for sample wording on PCaW.</p> |

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| | | <p>6.7 The policy sets out that staff must not disclose confidential information when reporting externally. It is important to note that legally speaking, under PIDA, workers cannot be prevented from raising concerns which fall within the scope of the act.</p> <p>6.8 That being said, if an individual breached confidentiality in the way they disclose information (for example emailing confidential client details to their personal email address) they may not be protected from sanction for doing so. We recommend advising staff to seek advice from the monitoring officer, their trade union or PCaW when considering any potential breach of confidentiality.</p> |
| <p><i>Should require an assurance to be given to the worker that he/she will not suffer detriment for having raised a concern, unless it is later proved that the information provided by the worker was false to his or her knowledge (CoP section 5(c))</i></p> | <p>Amber</p> | <p>7.1 Both the policy and procedure provide assurances that CEC will not tolerate a whistleblower being made to suffer any detrimental treatment (section 3.3 of the policy). This is a key reassurance for staff who are considering raising concerns.</p> <p>7.2 It is helpful that the policy provides a list of the kinds of things that could constitute detriment at section 3.4 and the draft procedure ‘Dos & Don’ts’ rightly instructs managers to reassure individuals raising concerns that they will not suffer detriment.</p> <p>7.3 However, there are a number of caveats to this reassurance in the policy which we recommend reconsidering:</p> <p>7.4 The term ‘<i>bona fide</i>’ in section 3.5 of the policy could be confusing. The word <i>genuine</i> is clearer, but equally open to interpretation, which may cause delay or even dissuade staff who are not sure of what they have witnessed.</p> <p>7.5 Section 5.2 outlines that a whistleblower’s confidentiality may not be protected where the report is found to be knowingly false or malicious, and section 7 (Untrue Allegations) outlines that if staff</p> |

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| | | <p>make allegations they know to be false, disciplinary action may be taken against them.</p> <p>7.6 Requiring a whistleblower to be <i>bona fide</i> to be protected from detriment and removing this protection where reports are false or malicious is, in our view, problematic. The policy states at section 7.1 that if a whistleblower makes an allegation which they believe to be true they will be protected; however there will be cases where staff have a suspicion and they do not know if the suspicion is correct. The policy should seek to encourage staff to raise these suspicions and not keep quiet for fear of not being protected from detriment.</p> <p>7.7 PCaW understand that any organisation may wish to avoid malicious concerns being raised, however genuine concerns can be raised maliciously and still provide vital information you would want to know. It is important to consider that there is no longer a requirement of good faith for legal protection under PIDA. The CoP recommends reassuring the worker they will not suffer detriment unless it is later proved that the information provided by the worker was false to his or her knowledge.</p> <p>7.8 We would recommend stronger messaging around this key assurance throughout staff wide communications such as the newsletter and the intranet page.</p> <p>7.9 With regard to the training slides we would recommend considering a review of the slide on PIDA. As mentioned above, the legal test for internal disclosures is incorrectly outlined and it is also not true that anonymous whistleblowers are not covered by PIDA. You could also consider clarifying that legal protection only does not apply to the <i>genuinely</i> self-employed, as employment / worker status is complex and difficult to determine in some circumstances.</p> |
| <p>Assurance to be given to the worker that his or her identity will be kept confidential if the worker so requests unless disclosure is required by law</p> | <p>Red</p> | <p>8.1 A general assurance of confidentiality is included on the intranet page and under Section 1.4 of the policy. Section 5 of the policy expands on confidentiality. The option for confidential reporting if requested is provided under 5.1, and the assurance that CEC will do their best to ensure the staff member's name is not revealed under 5.2.</p> |

(CoP section 5(d))

- 8.2 5.3 of the policy is problematic with regard to key assurances of confidentiality and could present a barrier to staff speaking up, particularly as many may not want to cause an unpleasant atmosphere in their workplace.
- 8.3 While it may be true that confidentiality can be difficult to manage in these environments, if CEC want to address this directly in the policy, **we would suggest outlining instead that there can be practical difficulties to maintaining confidentiality in situations where others may suspect the identity of the whistleblower** (though this can sometimes be managed in the way you investigate the concerns).
- 8.4 **CEC could also reinforce a much stronger 'zero tolerance' message that victimisation will not be tolerated, so even if confidentiality is limited whistleblowers will still be protected from detriment.**
- 8.5 Presenting the limitations of confidentiality as an incentive to raising concerns openly is also problematic. In PCaW's experience, staff are more likely to raise concerns openly when they know that the concern will be taken seriously and they will be protected from reprisals; not because they are deliberately avoiding speculation or an unpleasant atmosphere at work.
- 8.6 The Dos & Don'ts sheet in the procedure for handling concerns clearly instructs contacts approached with concerns to make note whether the individual requires confidentiality (and not to discuss concerns with anyone other than authorised person) and correctly highlights that any discussion of the concerns may result in the identity of the whistleblower being compromised. These are sensible instructions.
- 8.7 Anonymity is also provided as an option for staff to raise concerns, though this is actively discouraged. We understand that open or confidential reporting is preferable to anonymous reporting, but as outlined above, anonymous reporting may be the only way some staff feel

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| | | <p>comfortable raising something.</p> <p>8.8 If anonymous reporting is actively discouraged there is a risk is that staff would prefer to stay silent and let wrongdoing continue or risks go unresolved. In terms of safeguards, we would suggest that it is harder to get the legal protection when reporting things anonymously, but it is not true that anonymous whistleblowers are not covered by the law. We would recommend softening this message to make it clear that there are disadvantages to anonymous reporting (as listed in the policy) but this is still an option open to staff.</p> <p>8.9 We would recommend stronger messaging around this key assurance throughout staff wide communications such as the newsletter and the intranet page.</p> |
| <p><i>A worker raising a concern should be told how and by whom the concern will be handled (CoP section 5(e)(i))</i></p> | <p>Amber</p> | <p>9.1 Under section 9 of the Whistleblowing Policy, 'How the Council will Respond,' staff are given an assurance that the council will respond to concerns. Section 9.3 outlines who may carry out investigations.</p> <p>9.2 It is unclear what is meant by 'testing out' the concerns and we recommend this be clarified. It may be clearer to outline that following the concerns being reported, a preliminary assessment or enquiry may be made to decide whether concerns require investigation, if that is what is meant.</p> <p>9.3 Under the procedure managers are instructed not to investigate concerns but to escalate them to the appropriate officer. We would recommend that when whistleblowers raise concerns with managers, the managers explain the steps that they will take under the procedure so the whistleblower is aware how the concern is being handled.</p> |

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| <p><i>A worker raising a concern should be given an estimate of how long the investigation will take (CoP section 5(e)(ii))</i></p> | <p>Green</p> | <p>10.1 Section 9.9 of the policy states that ‘where possible an estimate of the length of any investigation will be provided and, subject to legal constraints, if requested we will keep you updated at least on a monthly basis during the process and will inform you of the outcome of any investigation.’</p> |
| <p><i>A worker raising a concern should be told that if they believe that they are suffering a detriment for having raised a concern, he/she should report this (CoP section 5(e)(iii))</i></p> | <p>Amber</p> | <p>11.1 Section 3.6 of the policy states ‘should you believe you have suffered a detriment as a result of raising a concern you can report this to any of the officers named’ in the policy. A list of possible detriments is also provided.</p> <p>11.2 Section 9.2 of the policy also adds that staff will be provided with the details of who to contact should they require further support.</p> <p>11.3 These provisions satisfy this principle, however the policy could go further in strengthening this message by adopting the wording of the CoP, i.e. that if a worker believes they are suffering a detriment, they <i>should</i> report this.</p> |
| <p><i>A worker raising a concern should be told that he/she is entitled to independent advice (CoP section 5(e)(iv))</i></p> | <p>Amber</p> | <p>12.1 Section 8.9 of the Whistleblowing Policy makes reference to PCaW general advice line and website address ‘to obtain independent advice in relation to a potential whistleblowing report.’ The intranet page currently provides details of PCaW and of CEC whistleblowing advice line service including freephone number and bespoke email address. When the policy is updated it please ensure the bespoke freephone number is included.</p> <p>12.2 Whilst the draft procedures refer those handling a concern to PCaW if there is an issue with escalating concerns, it does not ensure that staff raising concerns are explicitly informed that they are entitled to advice or referred to the policy for this signposting and other guidance / assurances.</p> <p>12.3 As well as advising staff where to raise concerns, we provide independent and confidential advice and support throughout the whistleblowing process. Please refer to our model policy provided in</p> |

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| | | <p>Appendix A for example of our text regarding Independent Advice.</p> <p>12.4 You may also wish to make more reference to trade unions as a source of advice and support for staff raising concerns.</p> |
| <p><i>The employer should not only comply with these procedures but should also sanction those who subject an individual to detriment because he/she has raised a concern and should inform all workers accordingly. (CoP section 6)</i></p> | <p>Amber</p> | <p>13. The policy states at section 3.3 that the Council will take appropriate action to protect staff who raise concerns. We recommend a stronger message in line with the CoP that victimisation of a whistleblower would be viewed as a disciplinary matter, or that there is a 'zero tolerance' approach to victimisation.</p> |

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Cheshire East Council – Whistleblowing Action Plan

In responding to the full desk top review undertaken by PCaW there are specific actions needed for improvement.

These actions form the basis of the Whistleblowing Action Plan as outlined below. The action plan will be owned by the Head of Strategic HR noting that specific objectives will be delivered by a number of officers.

| | Objective | Action | Lead Officer/s | Status |
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| 1 | To refresh the Council's Whistleblowing Policy in line with the findings of the PCaW review and in consideration of the Whistleblowing Commission's Code of Practice (CoP). | 1.1 PCaW have identified a number of action points that need consideration. The policy will be refreshed using the best practice guidance and compliance toolkit provided by PCaW ensuring that all action points are addressed. | Michael Todd | Complete – decision taken to adopt the Model Policy provided by PCAW |
| | | 1.2 Draft refreshed policy to be taken to the Audit and Governance Committee for approval. | Michael Todd | Complete – agenda item for 15/03/2018 |
| | | 1.3 Whistleblowing policy to be reviewed annually. | Michael Todd | Will be covered by annual report to Committee as per existing arrangements |
| 2 | To refresh and finalise the Council's draft Whistleblowing Procedures in line | 2.1 PCaW have identified a number of action points that should be considered as part of any refresh exercise, including; | Michael Todd | As stated above, the Model PCAW policy has been adapted for Cheshire East Council. Therefore |

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| | <p>with the PCaW review and ensure that all line managers are aware and supported in the understanding and application of the procedures.</p> | <ul style="list-style-type: none"> a) CEC to provide reassurance that CEC take any concerns raised seriously, maintain confidentiality and protect the whistle-blower. b) Amend statement whereby it states “for an internal disclosure to have protection under PIDA, a whistle-blower needs to raise something they reasonable believe to be true”. c) Amend statement whereby it states “anonymous whistle-blowers are not protected under PIDA”. d) Provide assurance to staff through the communications that CEC will protect them and signpost them to the independent advice available from PCaW. e) Include details on what steps managers will take in handling concerns. <p>2.2 Draft procedures to be taken the Audit and Governance Committee to support the approval of the Whistleblowing Policy, understanding of how line managers will respond to whistleblowing concerns.</p> | <p>Michael Todd</p> | <p>amendments to existing policy are no longer required but will be taken into account whilst developing supporting information and training materials.</p> <p>Procedures are currently under development to ensure that they provide the appropriate level of detail to managers and members who may receive a referral.</p> |
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| | | | | policy and consideration will be given as to how best it can be promoted further. |
| 4 | To develop a training plan identifying officers and key stakeholders that should participate in training. | <p>4.1 To refresh the Council’s training materials to ensure consistency with the revised policy and procedures. To include the slide on PIDA.</p> <p>4.2 Identify key stakeholders and officers</p> <p>4.3 Schedule training sessions and communicate out across the organisation promoting attendance.</p> <p>4.4 To identify two CEC officers who will participate in the PCaW workshop.</p> | <p>Sara Barker/Workforce Development</p> <p>Workforce Development Workforce Development</p> <p>CLT</p> | <p>Work has commenced to develop a training plan to coincide with the launch of the new policy for key stakeholders and officers. This is taking place as part of the above exercise.</p> <p>The Head of Strategic HR and Principal Auditor will attend the PCaW workshop in May 2018.</p> |

This plan is kept under regular review and as new and additional issues are identified, proactive options for the management of those issues is considered and action taken to ensure robust responses.

Last updated: March 2018

CHESHIRE EAST COUNCIL WHISTLEBLOWING POLICY

INTRODUCTION

All of us at one time or another have a concern about what is happening at work. Usually these are easily resolved. However, when the concern feels serious because it is about a possible fraud, danger or malpractice that might affect others or the organisation itself, it can be difficult to know what to do.

You may be worried about raising such a concern and may think it best to keep it to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

The Elected Members and Chief Executive of Cheshire East Council are committed to running the organisation in the best way possible and to do so we need your help. We have introduced this policy to reassure you that it is safe and acceptable to speak up and to enable you to raise any concern you may have about malpractice at an early stage and in the right way. Rather than wait for proof, we would prefer you to raise the matter when it is still a concern.

This policy applies to all those who work for us; whether full-time or part-time, employed through an agency or as a volunteer. If you have a whistleblowing concern, please let us know.

If something is troubling you which you think we should know about or look into, please use this policy. If, however, you wish to make a complaint about your employment or how you have been treated, please use the grievance policy or bullying/harassment policy - which you can get from your manager or personnel officer. This Whistleblowing Policy is primarily for concerns where the public interest is at risk, which includes a risk to the wider public, customers, staff or the organisation itself.

IF IN DOUBT - RAISE IT!

OUR ASSURANCES TO YOU

Your safety

Cheshire East Council is committed to this policy. Provided you are raising a genuine concern, it does not matter if you are mistaken. Of course we do not extend this assurance to someone who maliciously raises a matter they know is untrue.

If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of reprisal as a result. We will not tolerate the harassment or victimisation of anyone raising a genuine concern and we consider it a disciplinary matter to victimise anyone who has raised a genuine concern.

Your confidence

With these assurances, we hope you will raise your concern openly. However, we recognise that there may be circumstances when you would prefer to speak to someone confidentially first. If this is the case, please say so at the outset. If you ask us not to disclose your identity, we will not do so without your consent unless required by law. You should understand that there may be times when we are unable to resolve a concern without revealing your identity, for example where your personal evidence is essential. In such cases, we will discuss with you whether and how the matter can best proceed.

Please remember that if you do not tell us who you are (and therefore you are raising a concern anonymously) it will be much more difficult for us to look into the matter. We will not be able to protect your position or to give you feedback. Accordingly you should not assume we can provide the assurances we offer in the same way if you report a concern anonymously.

If you are unsure about raising a concern you can get independent advice from Public Concern at Work (see contact details under Independent Advice).

HOW TO RAISE A CONCERN INTERNALLY

Please remember that you do not need to have firm evidence of malpractice before raising a concern. However we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern.

Step one

If you have a concern about malpractice, we hope you will feel able to raise it first with your manager or team leader. This may be done verbally or in writing.

Step two

If you feel unable to raise the matter with your manager, for whatever reason, please raise the matter with:

- The Chief Executive
- The Director of Legal Services who is also the Monitoring Officer
- Internal Audit

These people have been given special responsibility and training in dealing with whistleblowing concerns.

If you want to raise the matter confidentially, please say so at the outset so that appropriate arrangements can be made.

There are two ways to formally make a whistleblowing disclosure;

- Verbally, either face to face or by telephone, or
- In writing, by sending a letter to one of the named contacts, by emailing whistleblowing@cheshireeast.gov.uk, or by completing the [Online Concern Form](#) on the Council's website.

If you do not feel able to contact any of the officers detailed above you may approach the Chair, Vice Chair or any member of the [Audit and Governance Committee](#) with your concerns.

HOW WE WILL HANDLE THE MATTER

We will acknowledge receipt of your concern within 5 working days. We will assess it and consider what action may be appropriate. This may involve an informal review, an internal inquiry or a more formal investigation. We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you. If you ask, we will write to you summarising your concern and setting out how we propose to handle it and provide a timetable for feedback. If we have misunderstood the concern or there is any information missing please let us know.

When you raise the concern it will be helpful to know how you think the matter might best be resolved. If you have any personal interest in the matter, we do ask that you tell us at the outset. If we think your concern falls more properly within our grievance, bullying and harassment or other relevant procedure, we will let you know.

Whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person.

While we cannot guarantee that we will respond to all matters in the way that you might wish, we will strive to handle the matter fairly and properly. By using this policy you will help us to achieve this.

If at any stage you experience reprisal, harassment or victimisation for raising a genuine concern please contact any of the officers detailed above.

INDEPENDENT ADVICE

If you are unsure whether to use this policy or you want confidential advice at any stage, you may contact the independent charity Public Concern at Work on 020 7404 6609 or by email at cheshirespeakout@pcaw.org.uk. Their lawyers can talk you through your options and help you raise a concern about malpractice at work.

You can also contact your union (where applicable) for advice.

EXTERNAL CONTACTS

While we hope this policy gives you the reassurance you need to raise your concern internally with us, we recognise that there may be circumstances where you can properly report a concern to an outside body. In fact, we would rather you raised a matter with the appropriate regulator than not at all:

- the Council's External Auditor
- The Comptroller and Auditor General (Tel: 020 7798 7999)
- the Police

Public Concern at Work (or, if applicable, your union) will be able to advise you on such an option if you wish.

Contact details for Unison are as follows:

- Tel: 01244 346894 or out of hours 0800 0857857
- or email Mail@cheshireunison.co.uk

MONITORING / OVERSIGHT

The Audit and Governance Committee is responsible for the oversight and approval of this policy and will review it annually. Internal Audit will monitor the daily operation of the policy and if you have any comments or questions, please do not hesitate to let one of their team know.

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 15th March 2018
Report of: Interim Executive Director of Corporate Services
Subject/Title: An update on the Council's Capital, Treasury Management and Investment Strategies

Portfolio Holder: Councillor Paul Bates

1.0 Report Summary

1.1 To inform the Committee on changes in the requirements relating to the Council's Capital, Treasury Management and Investment Strategies.

1.2 Recommendation

1.3 To note the change in requirements to the Council's Capital, Treasury Management and Investment Strategies following revised guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG) effective from 1 April 2018.

1.4 To note the establishment of a member Investment Strategy Board.

1.5 Reasons for Recommendations

1.6 The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement. Revised statutory guidance (3rd Edition) on local authority investments effective from 1st April 2018 requires local authorities to prepare an annual investment strategy.

1.7 The changes made to the 3rd edition of this Guidance reflect changes in patterns of local authority behaviour regarding non-financial assets, for example, investment property portfolios and the provision of loans to local enterprises or third sector entities as part of regeneration or economic growth.

1.8 Wards Affected

1.9 All.

1.10 Local Ward Members

1.11 Not applicable.

1.12 Policy Implications

1.13 None.

1.14 Implications for Rural Communities

1.15 None

1.16 Financial Implications

1.17 Effective treasury management provides support towards the achievement of service priorities, it ensures that the Council's capital investment programme delivers value for money by demonstrating that capital expenditure plans are affordable, external borrowing is prudent and sustainable and treasury decisions are taken in accordance with good practice.

1.18 Legal Implications

1.19 The strategies will be developed in accordance with the MHCLG Local Government Investments Guidance under Section 15(1) (a) of the Local Government Act 2003.

1.20 Guidance issued under the 3rd Edition applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.

1.21 Risk Management

1.22 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

1.23 Background and Options

1.24 The Treasury Management strategy is an important element in the overall financial health and resilience of Cheshire East Council. The strategy focuses on the management of the Council's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.25 CIPFA published revised editions of Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in December 2017.

1.26 The main changes arising from the revised Codes include:

- an extension of the scope of the Treasury Management Code of Practice to include all investments, including non-financial assets held primarily for financial returns such as investment property portfolios;

- a requirement for an enhanced Capital Strategy; a summary document covering capital expenditure and financing, treasury management and non-treasury investments approved by full Council.
- 1.27 Capital expenditure and financing is intrinsically linked to the Treasury Management and Investment Strategies and these will continue to be developed in accordance with the revised guidance and reported to Cabinet and Council for approval during 2018/19, including:
- A detailed investment strategy.
 - Amendments to the Capital Strategy, Treasury Management Strategy, Prudential Indicators and Treasury Management Practices in accordance with the new regulatory framework.
- 1.28 The detailed investment strategy will cover the relevant procedures, governance arrangements and risk assessments; it will also need to ensure that Councillors and statutory officers have appropriate capacity, skills and information in order to make informed decisions.
- 1.29 To this effect a member Investment Strategy Board will be established to develop a detailed investment strategy satisfying these requirements for approval by Cabinet and full Council during 2018/19. The Board will be chaired by the Portfolio Holder for Finance and Communications and will be supported by Officers including the Acting Director of Legal Services (Monitoring Officer), Interim Executive Director of Corporate Services, Executive Director of Place and Head of Asset Management and Regeneration.
- 1.30 The updated strategies will be brought to this Committee for consideration during 2018/19 as part of its scrutiny role on treasury management activities.

1.31 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Joanne Wilcox
Designation: Financial Strategy & Reporting Manager
Tel No: (01270) 685869
Email: joanne.wilcox@cheshireeast.gov.uk

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Audit & Governance Committee Report

Date of Meeting: 15 March 2018

Report Title: Committee Work Plan 2018/19

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. This report presents a proposed Work Plan for 2018/19 (Appendix A) to the Committee for consideration.

2. Recommendations

- 2.1. That the Committee:
 - 2.1.1. Consider the Work Plan and determine any required amendments;
 - 2.1.2. Note that the plan will be brought back to the Committee throughout the year for further development and approval.

3. Reasons for Recommendation/s

- 3.1. The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to enable the Committee to fulfil its responsibilities.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. Aspects of the Audit and Governance Committee's agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work Plan (Appendix A) and establish any amendments that will enable it to meet its responsibilities.
- 5.2. By identifying the key topics to be considered at the Audit and Governance Committee meetings, and receiving appropriate reports, Committee

Members are able to undertake their duties effectively and deliver them to a high standard. In turn, this adds to the robustness of the risk management framework, the adequacy of the internal control environment and the integrity of the financial reporting and corporate governance of the Council

- 5.3. In order to help with their deliberations, Members are asked to consider whether:
- 5.3.1. care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions.
 - 5.3.2. there are any time consuming aspects of Committee business that could be more effectively addressed elsewhere, as an audit committee should operate at a strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers
 - 5.3.3. the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings.
- 5.4. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Work Plan for 2017/18 complies with the requirements of the Accounts and Audit (England) Regulations 2015.

6.2. Finance Implications

- 6.2.1. When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

6.3. Equality Implications

- 6.3.1. There are no direct implications for equality in this report. The Audit and Governance Committee receives assurances from across the organisation

6.4. Human Resources Implications

- 6.4.1. Members should be satisfied that the inclusion of each item on its agenda results in added value, as the assurance process has a resource implication to the organisation and should therefore be proportional to the risk.

6.5. Risk Management Implications

6.5.1. Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an effective audit committee can:

- 6.5.1.1. raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- 6.5.1.2. increase public confidence in the objectivity and fairness of financial and other reporting
- 6.5.1.3. reinforce the importance and independence of internal and external audit and any other similar review process
- 6.5.1.4. provide additional assurance through a process of independent and objective review

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. All wards affected.

8. Consultation & Engagement

8.1. The proposed draft Work Plan has been prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee. The proposed Work Plan has also been discussed with the Committee Chair and Vice Chair and has been considered by the Corporate Leadership Team prior to presentation to the Committee.

9. Access to Information

9.1. Not applicable.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officers:

Name: Michael Todd/Josie Griffiths

Job Title: Principal Auditors

Email: michael.todd@cheshireeast.gov.uk

josie.griffiths@cheshireeast.gov.uk

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|---|
| Agenda Item | Description | No | Detail |
| 15th March 2018 | | | |
| Informing the Risk Assessment for Cheshire East Council | To present and consider Management's responses to questions posed by the External Auditor. | 32 | To consider specific reports as agreed with the external auditor. |
| Update on the 2016/17 External Audit Plan | To receive an update from the Council's External Auditors in relation to the 2016/17 external audit report and other issues | 31 | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. |
| | | 33 | To comment on the scope and depth of external audit work and to ensure it gives value for money |
| External Audit Plan for 2017/18 | To receive and comment on External Audit's planned work for the audit of financial statements and the value for money conclusion 2017/18. | 33 | To comment on the scope and depth of external audit work and to ensure it gives value for money |
| Update on the Arrangements for the Appointment of External Auditors | To update the Committee on the appointment of the Council's External Auditors following the Public Sector Audit Appointments Ltd (PSAA) process. | 4 | It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. |
| Members Code of Conduct: Standards Report | To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st September 2017 and the end of February 2018. | 5 | To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). |
| Risk Management Update | This report will update the Committee on Risk Management and Business Continuity activity in the Council. | 10 | To monitor the effective development and operation of risk management in the council. |
| | | 11 | To monitor progress in addressing risk related |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|--|--|--|--|
| Agenda Item | Description | No | Detail |
| | | | issues reported to the committee. |
| Internal Audit Interim Report | To consider a summary of Internal Audit Work undertaken between October and December 2017 | Various | Various (Detailed in ToR) |
| Internal Audit Plan 2018/19 | Approval of the summary risk based Internal Audit Plan for 2018/19 | 20 | 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. |
| Presentation on the Council's arrangements for the General Data Protection Regulations | Presentation to provide assurance to the Audit and Governance Committee on the readiness of the Council to meet the requirements of the General Data Protection Regulations. | 2 | To support the Committee in providing independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. |
| Update on the Council's Whistleblowing Arrangements and New Policy | Update report to the Audit and Governance Committee on the outcome of the review of the Council's whistleblowing arrangements undertaken by Public Concern at Work, including details of recommended actions and improvements and a proposed policy for recommendation | 41 | To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption |
| Update on the Council's Capital, Treasury Management and Investment Strategies | Report to inform the Committee on changes in the requirements relating to the Council's arrangements for Capital, Treasury Management and Investment Strategies. | 2 17 | To support the Committee in providing independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. To review and monitor the Council's treasury management arrangements in accordance with |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|---|
| Agenda Item | Description | No | Detail |
| | | | the CIPFA Treasury Management Code of Practice" |
| Upheld Complaints to the Local Government Ombudsmen | <p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | 43 | <p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p> |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities. | ALL | ALL |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | <p>Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.</p> <p>(Part 1 and Part 2)</p> | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|--|--|--|---|
| Agenda Item | Description | No | Detail |
| 31st May 2018 | | | |
| External Audit Progress and Update Report | To consider an update report from Grant Thornton in delivering their responsibilities as external auditors. | 31 | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. |
| Outcome of the External Assessment of Internal Audit | To report back to the Committee on the External Assessment of the Internal Audit function's compliance with the Public Sector Internal Audit Standards undertaken in January 2018 | 4 | It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. |
| | | 27 | To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years. |
| Internal Audit Report 2017/18 | Opinion on the overall adequacy and effectiveness of the Council's control environment for 2017/18 | 24 | To consider the Head of Internal Audit's Annual Report |
| Approach to disclosure of Internal Audit Reports | Report to the Audit and Governance Committee regarding the current approach to the sharing of Internal Audit reports and presenting options for future consideration | 4 | It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. |
| | | 25 | To consider summaries of specific internal audit reports as requested. |
| Compliance with the Freedom of Information Act (2000) and Environmental Information Regulations (2004) | An update on how Cheshire East Council fulfils its obligations under the Freedom of Information Act (2000) (including the Environmental Information Regulations (EIR)). It also highlights volumes of requests, | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |

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| | | Extract from the Terms of Reference – October 2016 | |
|--|---|--|--|
| Agenda Item | Description | No | Detail |
| | trends and current and future issues. | | |
| Compliance with the Regulation of Investigatory Powers Act (2000) | This report provides an update on how the Council has complied with RIPA legislation during 2017/18 and the number of RIPA applications authorised to date. | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Customer Feedback and Complaints: Annual Report based on CEC figures | Summary of feedback received from customers during 2017/18 based on the Council's own records. (NB - A report based on the LGO formal feedback will be provided to the September Audit and Governance Committee as this information is not provided by the LGO until the end of July.) | 42 | To seek assurance that customer complaint arrangements are robust. |
| Compliance with the Data Protection Act (1998) | An update on how Cheshire East Council fulfils its obligations under the Data Protection Act (1998) | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Information Governance Update | This report provides an update on the Council's Information Governance arrangements during 2017/18 | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Annual Governance Committee Self Assessment | Self-assessment of the effectiveness of the Committee, which provides an assurance for the Annual Governance Statement. | 40 | To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. |
| Annual Report of the Audit and Governance Committee 2017/18 | Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of | 40 | To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | presentation to Council. | | committee in meeting its purpose. |
| Audit and Governance Committee Terms of Reference | To consider the Committee's Terms of Reference and whether any changes would be desirable, following the publication of CIPFA's Guidance (Audit Committees: Practical Guidance for Local Authorities and Police) (Jan 2018) | 40 | To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. |
| Draft Statement of Accounts 2017/18 | This report introduces the 2017/18 pre-audit statement of accounts to the Committee for consideration and comment. | 36 | To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. |
| Draft Annual Governance Statement 2017/18 | This report introduces the draft 2017/18 Annual Governance Statement to the Committee for consideration and comment | 7 | To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control |
| Annual Risk Management Update | Annual report on the effectiveness of risk management arrangements in the Council | 10 | To monitor the effective development and operation of risk management in the council. |
| | This will include a briefing by the Risk Owner on the management of a Corporate Risk: (TBC) | 11 | To monitor progress in addressing risk related issues reported to the committee. |
| Upheld Complaints to | Members have requested that they receive | 43 | Subject to the requirements set out below, to |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|---|
| Agenda Item | Description | No | Detail |
| the Local Government Ombudsmen | <p>a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | | <p>consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p> |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities. | All | All |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | <p>Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee.</p> <p>(Part 1 and Part 2)</p> | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |
| 31st July 2018 | | | |
| External Audit Findings | Summary of findings from the 2017/18 audit | 31 | To consider the external auditor's report to |

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| | | Extract from the Terms of Reference – October 2016 | |
|--|--|--|--|
| Agenda Item | Description | No | Detail |
| Report 2017/18 | and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources | 37 | those charged with governance on issues arising from the audit of the accounts. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance |
| 2017/18 Audit Findings and Action Plan (Management Response) | This report sets out the Council's management response to the 2017/18 Audit Findings Report presented by the external auditors to the Audit & Governance Committee. | 37 | To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. |
| Anti-Fraud and Corruption Policy | This report sets out the review of the Council's Anti-Fraud and Corruption Policy against current best practice and identifies any suggestions for improvements to the current arrangements. | 13 | To review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources. To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption. |
| Treasury Management Annual Report | This report will update the Committee on Treasury Management Activity. | 17 | To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice. |
| Risk Management Update | This report will update the Committee on Risk Management and Business Continuity activity in the Council. | 10 | To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related |

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| | | Extract from the Terms of Reference – October 2016 | |
|--|--|--|--|
| Agenda Item | Description | No | Detail |
| | This will include a briefing by the Risk Owner on the management of a Corporate Risk: TBC | | issues reported to the committee. |
| Annual Statement of Accounts 2017/18 | Approval of the Audited Statement of Accounts for 2017/18 | 36 | To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. |
| Review of the Council's procurement arrangements | <p>Following agreement with TITAN, an audit has commenced during March 2017. The purpose of the audit is to provide assurance that arrangements currently in place to manage procurement activity are appropriate and effective.</p> <p>The outcome of this work will be reported to a future meeting of the Audit and Governance Committee.</p> | 12 | <p>To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.</p> <p>At the request of Members, 8th December 2016 Audit and Governance Committee.</p> |
| Update on IA reports on Land Acquisitions | This report will update the Committee on the Management Actions agreed in response to the Internal Audit review of Land Acquisitions | 12 | To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress. |
| Annual Governance Statement 2017/18 | Approval of the Annual Governance Statement 2017/18 | 7 | To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|---|
| Agenda Item | Description | No | Detail |
| | | | assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. |
| Presentation on the Best 4 Business Project | This presentation will cover the governance and assurance arrangements for the B4B project. | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Upheld Complaints to the Local Government Ombudsmen | <p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | 43 | <p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p> |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the | ALL | ALL |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|---|
| Agenda Item | Description | No | Detail |
| | Committee's responsibilities. | | |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2) | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |
| 29th September 2018 | | | |
| Grant Thornton - Annual Audit Letter 2017/18 | Summary of the External Audit findings from the 2017/18 audit. The letter will also confirm the final audit fee. | 31 | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. |
| Certification Report 2017/18 | The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2017/18 claims and returns. | 31 | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. |
| Customer Feedback and Complaints: Annual Report based on LGO report | The report will provide a summary of the key issues from the annual report received by the LGO. | 42 | To seek assurance that customer complaint arrangements are robust. |
| Members Code of Conduct: Standards Report | To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st March 2018 and the end of August 2018. | 45.1 | To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). |
| Risk Management Update | This report will update the Committee on Risk Management and Business Continuity activity in the Council. | 10 11 | To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related issues reported to the committee. |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | This will include a briefing by the Risk Owner on the management of a Corporate Risk: (TBC) | | |
| Treasury Management Strategy Update | This report will update the Committee on the Council's Treasury Management Strategy | 17 | To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice. |
| Contract Management Toolkit | This report will update the Committee on how the toolkit and processes are being embedded. | 8 | To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements. |
| | | 9 | To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council. |
| Upheld Complaints to the Local Government Ombudsmen | <p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered | 43 | <p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in</p> |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|--|
| Agenda Item | Description | No | Detail |
| | <ul style="list-style-type: none"> clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | | relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda. |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities. | ALL | ALL |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2) | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |
| 6th December 2018 | | | |
| Introduction to the new External Auditors | Introduction to the Committee of the Council's new external auditors; Mazaars | | |
| Draft Treasury Management Strategy and Minimum Revenue Position Statement 2019/20 | <p>Update on the contents of the Council's Treasury Management Strategy for 2019/20.</p> <p>The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management.</p> <p>This responsibility has been nominated to</p> | 17 | To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | the Audit & Governance Committee. | | |
| Annual Governance Statement Update | Update on actions to improve governance arrangements and respond to emerging issues identified in the 2017/18 Annual Governance Statement. Proposed process for the production of the 2018/19 Annual Governance Statement. | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Internal Audit Interim Update Report 2018/19 | Progress report against the Internal Audit Plan 2018/19. Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standards. | 12 18 21 23 | To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress. To approve the Internal Audit Charter. To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. |
| Revising the Council's Code of Corporate Governance | This report will update the Committee on the review of the Council's Code of Corporate Governance against best practice guidance and the use of the Code in practice and | 9 | To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council. |

Work Plan 2018/19

| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|--|
| Agenda Item | Description | No | Detail |
| | consider any changes which may be desirable | 6 | To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. |
| Risk Management Update | <p>This report will update the Committee on Risk Management and Business Continuity activity in the Council.</p> <p>This will include a briefing by the Risk Owner on the management of a Corporate Risk: (TBC)</p> | <p>10</p> <p>11</p> | <p>To monitor the effective development and operation of risk management in the council.</p> <p>To monitor progress in addressing risk related issues reported to the committee.</p> |
| Upheld Complaints to the Local Government Ombudsmen | <p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | 43 | <p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when</p> |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|---|
| Agenda Item | Description | No | Detail |
| | | | determining how to manage the Audit and Governance Committee's agenda. |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities. | ALL | ALL |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2) | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |
| 14th March 2019 | | | |
| Mazaars Risk Assessment of Cheshire East Council | To present and consider Management's responses to questions posed by the External Auditor. <i>(Anticipated Equivalent Report to "Informing the Risk Assessment")</i> | 32 | To consider specific reports as agreed with the external auditor. |
| Update on the 2017/18 External Audit Plan | To receive an update from the Council's External Auditors in relation to the 2017/18 external audit report and other issues | 31 33 | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. To comment on the scope and depth of external audit work and to ensure it gives value for money |
| External Audit Plan for 2018/19 (Mazaars) | To receive and comment on External Audit's planned work for the audit of financial statements and the value for money | 33 | To comment on the scope and depth of external audit work and to ensure it gives value |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|--|
| Agenda Item | Description | No | Detail |
| | conclusion 2018/19 | | for money |
| Members Code of Conduct: Standards Report | To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st September 2018 and the end of February 2019. | 45 | To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). |
| Risk Management Update | This report will update the Committee on Risk Management and Business Continuity activity in the Council. This will include a briefing by the Risk Owner on the management of a Corporate Risk | 10 11 | To monitor the effective development and operation of risk management in the council. To monitor progress in addressing risk related issues reported to the committee. |
| Internal Audit Interim Report | To consider a summary of Internal Audit Work undertaken between October and December 2018 | Various | Various (Detailed in ToR) |
| Internal Audit Plan 2019/20 | Approval of the summary risk based Internal Audit Plan for 2019/20 | 20 | 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. |
| Upheld Complaints to the Local Government Ombudsmen | Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a standing agenda item, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible | 43 | Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings. |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|--|--|--|
| Agenda Item | Description | No | Detail |
| | service and the Chair/Vice Chair to establish <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. | | (a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council. (b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda. |
| Audit and Governance Committee Work Plan | Forward looking programme of meetings and agenda items 2018/19 to ensure comprehensive coverage of the Committee's responsibilities. | ALL | ALL |
| Contract Procedure Rule Non-Adherences (Part 1 and Part 2) | Report to update Committee on the quantity and reasons for Non Adherences approved since the last Committee. (Part 1 and Part 2) | 38 | To receive retrospectively for information all notices which are used to record any non-adherence to the Council's Contract Procedure Rules. |
| Unscheduled items | | | |
| Work Programme for Member/Officer Working Groups | Forward looking programme of meetings and agenda items to: <ul style="list-style-type: none"> • enable individual Members to become more involved in specific areas of the Committee's work as a means of developing | 44 | The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee. |

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| | | Extract from the Terms of Reference – October 2016 | |
|--|---|--|---|
| Agenda Item | Description | No | Detail |
| | <p>in-depth knowledge and expertise</p> <ul style="list-style-type: none"> • address some of the more time consuming aspects of the Committee's work. • ensure that the Committee continues to work effectively and fulfils its purpose | | |
| Feedback from Member/Officer Working Groups | The outcome of Member/Officer Groups work which, where possible, will be fed back to the Committee during the relevant agenda item. However, some of the feedback may, at the request of the Committee, require specific reports | 44 | The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee. |
| Updated Whistleblowing Policy and Procedure | Following the PCAW review of the Council's whistleblowing arrangements, to present an updated Whistleblowing policy and procedure to the Audit and Governance Committee for comment and to recommend to the Constitution Committee | 41 | To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption |
| Work Programme for Member/Officer Working Groups | <p>Forward looking programme of meetings and agenda items to:</p> <ul style="list-style-type: none"> • enable individual Members to become more involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise • address some of the more time consuming aspects of the Committee's | 44 | The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee. |

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| | | Extract from the Terms of Reference – October 2016 | |
|---|---|--|---|
| Agenda Item | Description | No | Detail |
| | <p>work.</p> <ul style="list-style-type: none"> ensure that the Committee continues to work effectively and fulfils its purpose. | | |
| Feedback from Member/Officer Working Groups | The outcome of Member/Officer Groups work which, where possible, will be fed back to the Committee during the relevant agenda item. However, some of the feedback may, at the request of the Committee, require specific reports. | 44 | The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee. |

Audit & Governance Committee

Date of Meeting: 15 March 2018

Report Title: Waivers and Non Adherences (WARNs) and Contract Management update

Senior Officer: Jan Willis – Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number and reasons for Waivers and Non Adherences (WARNs) which have been approved between the 1st November 2017 and the 31st January 2018.

The approved WARNs are presented to the committee for review. The number of WARNs to be presented to the March Audit and Governance Committee is 2; 1 waiver and 1 non adherence.

All WARNs will be presented to the Audit and Governance Committee without any information redacted. However, they will be presented in Part 2 of the Committee as they may contain commercially sensitive information or Officer details. The main report will be presented in Part 1.

This report will also provide an update on the progress of the Contract Management Audit findings and next steps.

2. Recommendation/s

- 2.1. That the Audit and Governance Committee note the number and reason for Waivers and Non Adherences (WARNs) approved between 1st of November 2017 to the 31st January 2018.

3. Reasons for Recommendation/s

- 3.1. The Audit and Governance Committee has a key role in overseeing governance arrangements within the Council and has a requirement to review all approved WARNs. The WARN process forms part of our Contract Procedure Rules (CPRs), which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability.

4. Other Options Considered

4.1. N/A

5. Background

5.1. All WARNs approved in the period between Audit and Governance Committee's will be presented to the following Committee. This report contains all WARNs approved from the 1st November 2017 to the 31st January 2018.

The WARN process records the following;

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with the Contract Procedure Rules, Part 5, Section 7.1-7.3.
- Non Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Part 5. Section

| WARNs | 2014-2015 | 2015-2016 | 2016-2017 | April 2017- Jan 2018 |
|-----------------------|-----------|-----------|-----------|-------------------------|
| Non Adherence to CPRs | 20 | 25 | 33 | 10 |
| Waiver to the CPR's | 62 | 45 | 40 | 16 |
| Grand Total | 82 | 70 | 73 | 26 |

7.4 – 7.10.

Waivers are a compliant part of the constitution, Contract Procedure Rules.

The number of WARNs approved from the 1st November 2017 to the 31st of January 2018 is 2; 1 waivers and 1 non adherence – detailed below

| Detail | | | Approved Total |
|---|---|---|-------------------|
| Row Labels | B | C | |
| Non Adherence to CPRs | | | 1 |
| 07/11/2017 | | | |
| Gateway review of Congleton Link Road to meet the requirements of Department for Transport (DfT). | 1 | | |
| Waiver to Requirements of Competition | | | 1 |

| | | | |
|--|--|---|----------|
| 30/12/2017 | | 1 | |
| Signs of Safety Training and Consultancy | | | |
| Grand Total | | | 2 |

The description of the reasons for the Waivers and non adherence detailed in the table above are as below.

| Code | Description of Category/code |
|-------------|--|
| B | Specialist Education or Social Care Requirements |
| C | Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available. |

5.2. A summary of the total number of WARNs for the reporting periods 2014 - 2017 is set out below:

The figure for financial year 2016 – 2017 increased slightly due to it including 16 ICT WARNs which were previously managed through Cosocius. If these were removed then the figure would be 54 meaning a reduction from the previous year.

The total number of WARN’s for 2017-2018 to date is 26. There is a further 2 months to be able to calculate the actual total for 17/18, however based on current figures this is a reduction of 64% from 2016/17 to 2017/18 and 75% reduction comparing 2014/15 figures with 2017/18 to date.

This reduction in Waivers and non adherences is the result of improved forward planning, better information such as enhanced contracts register and the procurement team proactively working with services to inform better outcomes and ensuring compliant contracts are in place.

5.3. In June of 2016 internal audit issued a report which had reviewed Cheshire East Council’s approach to contract management. The report concluded that

- The arrangements for effective contract management are insufficient

- Those improvements are required to training and guidance and that there needs to be a cultural change to embrace effective contract management.

To address this a new Commissioning and Procurement Board has been created to provide corporate assurance of the adequacy and effectiveness of commissioning, procurement and contract management and to promote a “one council” approach, facilitating and sharing best practice and knowledge.

As part of this a Contract Management Framework has been developed which maps out the Councils approach over the next 12 months to create a consistent approach across Cheshire East Council. The framework draws upon existing good practice and National Audit Office and Government Procurement Service guidance. The framework includes both contract management processes and gives a foundation to build the skills and competencies of staff in commercial and contractual best practise. This has been formally approved in January 18 and will now be rolled out throughout within all services.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner.
- 6.1.2. Employees must also seek to ensure value for money and take care to avoid the risk of legal challenge to the Council in relation to the use of its financial resources. The Council’s Officer Delegations, Finance and Contract Procedure Rules and Operating Procedures must, therefore, be followed at all times. This report sets out compliance with Contract Procedure Rules.

6.2. Finance Implications

- 6.2.1. The Council’s Constitution Finance Procedure Rule 2.30; Chapter 3 - Part 4: Section 2 explains that the Corporate Leadership Team (CLT) are responsible for working within their respective budget limits and to utilise resources allocated to them in the most efficient, effective and economic way.

6.2.2. Along with comments from Procurement and Legal Officers, Finance Officers are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard (e.g. that the relevant Service has identified sufficient existing budget to cover the proposal; and also that the Service has considered how to achieve best value for money via this particular recommended course of action).

6.3. Equality Implications

6.3.1. If this section indicates that an Equality Impact Assessment has been completed it is to be included as an Appendix to the report.

6.4. Human Resources Implications

6.4.1. N/A

6.5. Risk Management Implications

6.5.1. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing significant financial and reputational risk to the Council. This includes procurement processes.

6.6. Rural Communities Implications

6.6.1. There are no direct implications for rural communities.

6.7. Implications for Children & Young People

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

6.8. Public Health Implications

6.8.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. N/A

8. Consultation & Engagement

8.1. N/A

9. Access to Information

9.1. The background papers relating to this report can be inspected by contacting the report writer.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: lianne.halliday@cheshireeast.gov.uk

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