

# Audit and Governance Committee Agenda

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**Date:** Tuesday 30th July 2019  
**Time:** 2.00 pm  
**Venue:** Committee Suite 1,2 & 3, Westfields, Middlewich Road,  
Sandbach CW11 1HZ

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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 meetings are audio recorded and the recordings are 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.

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For requests for further information

**Contact:** Rachel Graves

**Tel:** 01270 686473

**E-Mail:** [rachel.graves@cheshireeast.gov.uk](mailto:rachel.graves@cheshireeast.gov.uk) with any apologies

4. **Minutes of Previous Meeting** (Pages 5 - 8)

To approve the minutes of the meeting held on 30 May 2019 as a correct record.

5. **External Audit Findings and Action Plan 2018/19**

To consider the report of Mazars, the external auditors, on their findings from the 2018/19 audit. *REPORT TO FOLLOW*

6. **Annual Report of the Monitoring Officer (2018/19)** (Pages 9 - 32)

To receive the Annual Monitoring Officer's Report for 2018/19.

7. **Maladministration Decision Notices from Local Government and Social Care Ombudsman: March – April 2019** (Pages 33 - 38)

To consider and note a report on the Decision Notices issued by the Local Government and Social Care Ombudsman when their investigations have found maladministration causing injustice to complainants.

8. **Annual Information Governance Update 2018/19** (Pages 39 - 44)

To receive an update on the Council's Information Assurance and Data Management programme.

9. **Internal Audit Annual Report 2018/19** (Pages 45 - 80)

To note and consider the Annual Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment for 2018/19.

10. **Annual Risk Management Report 2018/19** (Pages 81 - 98)

To receive an overview on the Council's risk management arrangements during 2018/19 and the planned work programme for 2019/20.

11. **Annual Report of the Audit and Governance Committee 2018/19**  
(Pages 99 - 122)

To consider the draft version of the Audit and Governance Committee's Annual Report 2018/19 and agree the final version of the report to go to Council on 17th October 2019.

12. **Annual Governance Statement 2018/19**

To receive and approve the proposed final Annual Governance Statement 2018/19. *REPORT TO FOLLOW*

13. **Annual Statement of Accounts 2018/19**

To consider the Statement of Accounts 2018/19. *REPORT TO FOLLOW*

14. **Committee Work Plan** (Pages 123 - 136)

To consider the forthcoming Work Plan for 2019/20, to ensure comprehensive coverage of the Committee's responsibilities.

15. **Contract Procedure Rule Non-Adherences** (Pages 137 - 142)

To receive an update on the quantity and reasons for non-adherences approved between the period 1 May 2019 to 30 June 2019.

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

The reports relating to the remaining items on the agenda have 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 items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 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**

17. **Contract Procedure Rule Non-Adherences**

To note the approved WARNs issued between 1 May 2019 and 30 June 2019.

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**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 30th May, 2019 at Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

**PRESENT**

Councillor R Fletcher (Chairman)  
Councillor R Bailey (Vice-Chairman)

Councillors D Edwardes, B Evans, A Gregory, S Handley, S Hogben,  
M Houston and A Kolker

**Independent Co-opted Member**

Mr P Gardener

**Councillors in attendance**

Councillors J Rhodes and A Stott

**External Auditors**

Alastair Newall, Mazars

**Officer in attendance**

Frank Jordan, Executive Director Place and Acting Deputy Chief Executive  
Mark Taylor, Interim Executive Director of Corporate Services  
Catherine Parkinson, Interim Director of Governance and Compliance  
Alex Thompson, Head of Finance and Performance (Section 151 Officer)  
Michael Todd, Principle Auditor  
Josie Griffiths, Principle Auditor  
Juan Turner, Compliance and Customer Relation Officer (for minute 7 only)  
Lianne Halliday, Senior Manager – Procurement (for minutes 10 and 12 only)  
Rachel Graves, Democratic Services Officer

**1 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor M Sewart.

**2 DECLARATIONS OF INTEREST**

No declarations of interest were made.

**3 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public present.

**4 MINUTES OF PREVIOUS MEETING**

**RESOLVED:**

That the minutes of the meeting held on 14 March 2019 be approved as a correct record.

**5 TERMS OF REFERENCE**

**RESOLVED:**

That the Terms of Reference of the Audit and Governance Committee be noted.

**6 EXTERNAL AUDIT 2018/19 PROGRESS AND UPDATE**

Alastair Newall of Mazars presented an update on the 2018/19 External Audit Plan.

It was reported that their detailed audit work was on track and that no significant matters had arisen which required reporting to the Committee. The Audit Findings and Action Plan would be reported to the July Committee meeting.

**RESOLVED:**

That the Update on the 2018/19 External Audit Plan be received.

**7 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN – DECEMBER 2018 – FEBRUARY 2019**

The Committee considered a report on the Decision Notices issued by the Local Government Ombudsman between 1 December 2018 and 28 February 2019.

It was reported that three Decision Notices had been issued which concluded that there had been maladministration causing injustice – details of which were set out in Appendix 1 to the report.

**RESOLVED:**

That the report be noted.

**8 AUDIT AND GOVERNANCE HEARING SUB COMMITTEE**

The Interim Director of Governance and Compliance reported on the need for a meeting of the Hearing Sub Committee.

The investigation into the Code of Conduct complaint had now been completed. Arrangements would be made shortly to convene the Hearing Sub Committee and select the three members to sit on the Sub Committee.

**9 COMMITTEE WORK PLAN**

Consideration was given to the Committee's Work Plan for 2018/19.

It was noted that the Annual Monitoring Officer Report, Annual Information Governance Report , Annual Internal Audit Report and the Annual Risk Management Update would be brought to the July meeting of the Committee. These reports were key sources of assurance for the Annual Governance Statement.

**RESOLVED:**

That the Work Plan be approved and that it be brought back to the Committee throughout the year for further development and approval.

**10 CONTRACT PROCEDURE RULE NON-ADHERENCES**

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs) which had been approved between 1 February 2019 and 30 April 2019.

It was noted that the number of WARNs had significantly reduced in the last three years from 73 in 2016/17 to 21 in 2018/19, which was the result of improved forward planning, better recording of information and proactively working with services to ensure compliant contracts were in place.

**RESOLVED:**

That the report be noted.

**11 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 as amended on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of the Schedule 12A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

**12 CONTRACT PROCEDURE RULE NON-ADHERENCES**

**RESOLVED:**

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 2.50 pm

Councillor R Fletcher (Chairman)





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## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Annual Report of the Monitoring Officer (2018/19)

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to provide assurance to the Audit and Governance Committee on aspects of the Monitoring Officer's responsibilities over the previous financial year.
- 1.2. An outline of suggested content for the Monitoring Officer's report was considered at the Committee in March 2019 and the report has been prepared on this basis. The full report is provided in Appendix A.

### **2. Recommendation**

- 2.1. That the Committee:
  - 2.1.1. Notes the first Annual Monitoring Officer's Report
  - 2.1.2. Considers any further development of the report required and the inclusion on the Committee's work plan.

### **3. Reasons for Recommendation/s**

- 3.1. The Audit and Governance Committee has a key role in overseeing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. Receiving the assurances from the Annual Monitoring Officer report informs the Committee's judgement on the arrangements that are in place to ensure the Council is response, effective and efficient organisation and contributes to the range of assurance the Committee can use in support of considering and approving the Annual Governance Statement.

#### **4. Other Options Considered**

- 4.1. The Committee has previously received reports from individual aspects of the Monitoring Officer's area of responsibility such as the Code of Conduct updates. Collating and adding to the information provided to the Committee should provide a more comprehensive range of assurance to the Committee.

#### **5. Background**

- 5.1. As outlined in the Work Plan report to the March 2019 Committee, a number of local authorities now provide an Annual Monitoring Officer report to their Audit and Governance Committee or equivalent. This annual report provides assurances to the Committee on a number of the Monitoring Officer's statutory responsibilities over the previous financial year.
- 5.2. The report (Appendix A) has been set out in line with the suggested format agreed at the March Committee, and provides background on the role of the Monitoring Officer, and an overview of the following areas;
  - 5.2.1. Members Code of Conduct
  - 5.2.2. Register of Member's Interests
  - 5.2.3. Register of Gifts and Hospitality
  - 5.2.4. Member Training and Development
  - 5.2.5. Dispensations
  - 5.2.6. Information and Data Protection
  - 5.2.7. Complaints including Local Government and Social Care Ombudsmen Referrals
  - 5.2.8. Regulation of Investigatory Powers (RIPA) Act
  - 5.2.9. Whistleblowing
  - 5.2.10. Constitution/Decision Making Process

#### **6. Implications of the Recommendations**

##### **6.1. Legal Implications**

- 6.1.1. The Monitoring Officer has a range of specific responsibilities which are described in detail in the annual report. The annual report provides assurance to the Audit and Governance Committee that

these responsibilities have operated effectively over the last financial year.

**6.2. Finance Implications**

6.2.1. There are no financial implications to this report which would require variance from the Council's planned spending.

**6.3. Policy Implications**

6.3.1. There are no direct policy implications.

**6.4. Equality Implications**

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

**6.5. Human Resources Implications**

6.5.1. There are no direct implications.

**6.6. Risk Management Implications**

6.6.1. The Monitoring Officer report provides assurance that the Council has arrangements in place to ensure effective service delivery and manage the risks of non-compliance.

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Ward Members Affected**

7.1. All wards affected.

## **8. Consultation & Engagement**

- 8.1. The proposal for a Monitoring Officer report and its suggested content was considered and agreed by the Audit and Governance Committee in March 2019.

## **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 officer:

Name: Catherine A. Parkinson

Job Title: Interim Director of Governance and Compliance Services

Email: [catherine.parkinson@cheshireeast.gov.uk](mailto:catherine.parkinson@cheshireeast.gov.uk)

# Monitoring Officer Report 2018/19

Audit and Governance Committee  
30<sup>th</sup> July 2019

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## **1. Role of the Monitoring Officer**

- 1.1. The Monitoring Officer has the specific duty to ensure that the Council, its officers and its elected members maintain the highest standards of conduct in all that they do.
- 1.2. The legal basis for the Monitoring Officer's role is found in Section 5 of the Local Government and Housing Act 1989.
- 1.3. There are three main aspects to the role:
  - To report on matters that he/she believes are, or are likely to be, illegal or amount to maladministration;
  - To be responsible for matters relating to the conduct of Councillors and officers; and
  - To be responsible for the operation of the Constitution
- 1.4. Section 5 requires the Monitoring Officer to prepare a report to the authority if it appears that any proposal, decision or omission by the authority (made otherwise than one on behalf of the executive) has given rise to or is likely to or would give rise to:-
  - a) A contravention of any enactment or rule of law
  - b) Maladministration or failure as mentioned in Part 3 of the Local Government Act 1974
- 1.5. For these purposes, any committee, or sub-committee of the authority, or any person holding any office or employment under the authority or any joint committee on which the authority are represented constitutes "the authority".
- 1.6. Maladministration or failure under the 1974 Act is a reference to a finding of such made by the Local Government Ombudsman following an investigation undertaken by him.
- 1.7. Additionally, Part III of the Local Government Act 2000 makes the Monitoring Officer responsible for maintaining a Register of Member Interests. The Monitoring Officer also operates the procedures for dealing with Code of Conduct complaints against Cheshire East Borough Council Members and Members of Town and Parish Councils in its area.

- 1.8. Under the requirements set out at 1.2 above, the Monitoring Officer ultimately assumes responsibility for the lawfulness of decision making processes and a number of other governance controls, some of which are the subject of bespoke delegations in the constitution. These key additional functions are covered in this report. By a combination of these measures and responsibilities, the Monitoring Officer has a key role to play in ensuring corporate governance and in informing the production of each Annual Governance Statement.
- 1.9. The Monitoring Officer must be appointed by Full Council and cannot be the Chief Executive (Head of Paid service) or the Director of Finance / Section 151 officer. The duties of the Monitoring Officer must be performed by him/her personally unless he or she is unable to act by reason of illness or absence, in which case a deputy, appointed by the Monitoring Officer, may act on his or her behalf.
- 1.10. Irrespective of illness or absence, where the Monitoring Officer is of the view that he or she ought not to perform functions relating to a Code of Conduct matter personally, s/he may delegate those functions to a person nominated by her/him as Monitoring Officer for that purpose.

## **2. Member's Code of Conduct**

- 2.1. Cheshire East Council adopted a new Code of Conduct<sup>1</sup>, which came into force on 1 January 2018. It is the responsibility of the Audit and Governance Committee to monitor this Code as part of the Committee's responsibility for promoting high standards of ethical behaviour.
- 2.2. The Monitoring Officer 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. This 'triage' has been introduced to enable complaints which do not engage the Code or are trivial, vexatious or 'Tit for Tat' to be rejected, without the need to convene an assessment meeting.
- 2.3. Between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019 30 complaints were received; 21 complaints concerned a Member of Cheshire East Council whilst 9 were against Members of a town or parish council within the borough.

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<sup>1</sup> [https://www.cheshireeast.gov.uk/council\\_and\\_democracy/your\\_council/councillor\\_conduct.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/your_council/councillor_conduct.aspx)

2.4. This compares to 16 complaints received about a Member of Cheshire East Council in the previous year, and 6 complaints received about Members of a town or parish council.

2.5. Detail of the complaints received in 2018/19 is shown in the table below

<b>Part A: General Obligations</b>		<b>No. received</b>	
<u>Paragraph</u>		Borough	Town Parish
1	Selflessness	11	7
2	Integrity	12	3
3	Objectivity	19	2
4	Accountability	13	2
5	Openness, sub paragraph (a) transparency	14	5
	Openness, sub paragraph (b) disclosure	4	3
6	Honesty, sub paragraph (a) declaring interests	5	0
	Honesty, sub paragraph (b) use of resources	0	0
7	Respect for others, sub paragraph (a) courtesy	5	9
	Respect for others, sub paragraph (b) equality	0	2
	Respect for others, sub paragraph (c) impartiality	0	2
	Respect for others, sub paragraph (d) bullying	2	3
8	Leadership	7	5
9	Gifts and hospitality	1	0
<b>Part B: registering and declaring pecuniary and non pecuniary interests</b>			
	Failure to register or declare an interest	7	1

*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.*

2.6. The decision of the Monitoring Officer in respect of the complaints received was as follows:

<b>Complaint:</b>	<b>2018/19</b>		<b>2017/18</b>	
	<b>Borough</b>	<b>Town Parish</b>	<b>Borough</b>	<b>Town Parish</b>
Rejected at preliminary assessment stage; failed to meet the assessment criteria	11	7	4	2
Referred for initial assessment; met the assessment criteria	10	2	12	4
Referred for formal investigation	7	0	0	0

2.7. Over the course of the last two years, 7 cases progressed beyond the preliminary assessment stage, and of the complaints received in this period, 2 complaints were upheld. No complaints progressed to Standards Sub Hearing.



- 2.8. Code of conduct training is mandatory and has been provided as part of this year's new member induction programme as well as a detailed session for all members. This will be repeated on an annual basis.

### **3. Register of Member's Interests**

- 3.1. Cheshire East Borough Council Members, and Members of Town and Parish Council's in its area, are required to declare and register certain classes of interests with the Monitoring Officer. They must then conduct themselves accordingly in relation to any interest that arises when transacting business on behalf of their authority.
- 3.2. Registerable interests are explained in the Code of Conduct but comprise, for all Members, Disclosable Pecuniary Interests. Additionally for Cheshire East Members, and from the new municipal year all Town and Parish Council Members, a requirement to declare personal interests.
- 3.3. A failure to declare an interest, and act accordingly in relation to the same, is capable of amounting to a breach of the Code of Conduct. In relation to Disclosable Pecuniary Interests, it can also amount to a criminal offence.
- 3.4. The relevant registers are available on, or through, the Council's website. There is a requirement to register upon taking office, and it is each Member's responsibility to ensure their register remains up to date as and when interests change.
- 3.5. Other than the Code of Conduct complaints (referred to above) which have involved an allegation of a failure to properly register an interest, there have been no issues arising through the year in respect of the registration of interests.
- 3.6. Training in respect of Member interests is covered below.

### **4. Register of Gifts and Hospitality**

- 4.1. Cheshire East Borough Council Members are required to register with the Monitoring Officer details of any gifts or hospitality received where the value is considered to be in excess of £100.
- 4.2. The register of gifts and hospitality is maintained by the Monitoring Officer and is available for inspection by appointment at the Council's Office in Westfields.

- 4.3. Gifts and hospitality received by Members were declared to the Monitoring Officer in the following numbers;

2018/19	2017/18	2016/17
1	3	3

It should be noted that only one of the declarations made was for a value in excess of £100. All other declarations were valued under £100 and declared in the interests of transparency.

- 4.4. Training in respect of gifts and hospitality is covered below.

## 5. Member Training and Development

- 5.1. The Member's Code of Conduct is recognised in Cheshire East Council's Member Training and Development Programme as being mandatory and will be repeated on an annual basis. For any member who is elected as a result of a by election a one to one briefing session will be provided.
- 5.2. Following the Council elections in May 2019, Code of Conduct training was delivered as part of the Induction programme for newly elected Members, with a wider, all Councillor briefing held in the 30 day period between the date of election and the deadline for completion of Members' Register of Interest Forms.
- 5.3. Plans are in place to review arrangements for training over the next three years, as part of the four year cycle of training and developments taking into account the recommendations of the Committee on Standards in Public Life, as set out in its report on Local Government Ethical Standards published in January 2019.<sup>2</sup>
- 5.4. In respect of Town and Parish Councils, a training programme has been devised in association with the Cheshire Association of Local Councils (CHaLC) and has been delivered by CHaLC since the elections in May 2019.

## 6. Dispensations

- 6.1. The Monitoring Officer is empowered to grant dispensations enabling Cheshire East Council Members to take part in council business in

<sup>2</sup> <https://www.gov.uk/government/collections/local-government-ethical-standards>

which they would otherwise have an interest which would prevent their dispensation.

- 6.2. There are a number of “standing” dispensations which apply to all Cheshire East Council Members. These are set out through a link in the Constitution at the end of the Member Code of Conduct<sup>3</sup>. No specific dispensations have been granted during the course of 18/19.

## 7. Information and Data Protection

### Data Protection Requests

- 7.1. The table below outlines the number of requests (subject access and disclosure) received under Data Protection legislation during the financial year 2018/19 compared with 2017/18. It also shows the percentage of requests which were responded to within the statutory timescales.

Table 1 - Data Protection Requests

	2018/19	2017/18
Data Protection Requests	1,429	1,219
Percentage responded to within statutory timescales	91%	86%

- 7.2. Data Protection requests into the Council typically originate from individuals (including care leavers requesting access to their social care records), public authorities (including the Police) and commercial organisations (including insurance companies and solicitors) requesting CCTV footage. Requests continued to increase (17% increase in 2018/19 on 2017/18) but the percentage of requests responded to within the statutory timescales has improved, despite the fact that this has now changed from 40 calendar days to one calendar month.
- 7.3. On 25<sup>th</sup> May 2018, Data Protection legislation went through its biggest change in 20 years with the implementation of the General Data Protection Regulation (GDPR). The new Data Protection Act 2018, which sits alongside the GDPR and brings the EU Law Enforcement Directive into UK law, also came into force on the same date.

<sup>3</sup><http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s50303/AG%20General%20Dispensations%20Report%2029.09.16.bn.pdf>

## Freedom of Information/Environmental Information Requests

7.4. Tables 2, 3, 4 and 5 below outline the number of requests received under the Freedom of Information Act 2000(FOIA) and the Environmental Information Regulations (EIR) 2004. They also detail the type, source and number of requests made to the Council, the response times for individual services and the request outcomes.

*Table 2 – Requests Received under FOIA and EIR's*

Type of Request	2018/19	2017/18
FOIA/EIR Requests	1,845	1,643
EIR Requests to Land Charges <sup>4</sup>	2,707	1,846
<b>Total FOIA/EIR Requests</b>	<b>4,552</b>	<b>3,489</b>

*Table 3 – Source of FOI/EIR Request*

Source	2018/19	2017/18
Commercial	24%	24%
Councillor	<1%	1%
Individual	43%	44%
MP	1%	1%
Other	<1%	1%
Press or media	14%	14%
Pressure Groups	3%	3%
Public Sector	2%	1%
Researchers	3%	2%
What do they know? <sup>5</sup>	9%	9%

*Table 4 – Percentage of requests handled within 20 working days per Directorate (excluding requests directly made to Land Charges)*

Directorate	2018/19	2017/18
Corporate Directorate	96%	87%
People Directorate	96%	83%
Place Directorate	95%	80%
<b>Total</b>	<b>95%</b>	<b>83%</b>

<sup>4</sup> Personal Search Companies make EIR requests directly to the Land Charges Team, who respond directly to the requester. The requests are all completed within the statutory deadline of 20 working days.

<sup>5</sup> 'What do they know?' is a website used to make FOI and EIR requests

- 7.5. The Council provides full information to the requester in the majority of cases; 1,114 in 2018/19.
- 7.6. In 96 cases (see Table 6 – FOI/EIR Refusal Notice Reasons) the requests were refused, as the information was already publicly accessible to the applicant without the need to make a request through either FOIA or the EIR's. Ordinarily, links are provided to the location of the published information.
- 7.7. Table 5 details the number of cases where the information has not been released or has not been released in full.

*Table 5 – FOI/EIR Outcomes – 2018/19*

<b>Outcomes</b>	<b>2018/19</b>	<b>2017/18</b>
All information sent	1,114	1,129
Information not held	180	159
Ongoing Request at year end (outcome not known)	79	90
Some information sent but not all held	146	84
No information sent - all held but exempt	137	64
Some information sent but part exempt	71	44
Exceeds appropriate limit (18 hours) - refused <sup>6</sup>	36	28
Request lapsed – (clarification sought but not provided by requester)	51	27
Some information sent and exceeds appropriate limit	20	11
Neither confirm or deny information held	1	3
Vexatious request	4	2
Repeated request	2	1
Part exempt and exceeds appropriate limit	2	0
Some information sent, part exempt and exceeds limit	2	1
<b>Total</b>	<b>1,845</b>	<b>1,643</b>

- 7.8. 236 FOI Exemptions/EIR Exceptions were applied to refusals issued during 2018/19 compared with 151 during 2017/18, as shown in Table 6 below.

<sup>6</sup> The 'appropriate limit' is 18 hours, i.e. if it will take more than 18 hours to fulfil the request, then it can be refused. If a requester wishes to pursue the request and the response, then a fees notice can be issued. In the majority of cases the requester will issue a new revised and reduced request.

Table 6 – FOI/EIR Refusal Notice Reasons

<b>Refusal Notices issued</b>	<b>2018/19</b>	<b>2017/18</b>
EIRs Regulation (12)(5)(f) Information in Confidence	3	8
EIRs Regulation 12(3) Personal Information	18	3
EIRs Regulation 12(4)(a) Information Not Held	3	1
EIRs Regulation 12(4)(b) Manifestly Unreasonable	6	5
EIRs Regulation 12(4)(c) Formed in too general a manner	1	
EIRs Regulation 12(4)(d) Draft Information	4	1
EIRs Regulation 12(4)(e) Internal Communications		1
EIRs Regulation 12(5)(b) Course of Justice	2	8
EIRs Regulation 12(5)(c) Intellectual Property Rights		1
EIRs Regulation 12(5)(d) Confidentiality of Proceedings	1	2
EIRs Regulation 12(5)(e) Commercial Interests	7	3
EIRs Regulation 12(5)(g) Protection of Environment	1	1
EIRs Regulation 6(1)(b) Publicly Accessible	39	8
FOIA Section 12(1) Compliance Exceeds 18 Hours		28
FOIA Section 21 Publicly Accessible to applicant	57	14
FOIA Section 22 Intended for Future Publication	10	2
FOIA Section 23 Information from or relating to security bodies	1	
FOIA Section 30 Investigations & Proceedings	3	9
FOIA Section 32 Court Records etc.	1	
FOIA Section 31 Law Enforcement	7	7
FOIA Section 33 Audit Functions		1
FOIA Section 36 Prejudicial to conduct of public affairs		2
FOIA Section 38 Health & Safety		0
FOIA Section 40 Personal Information	40	22
FOIA Section 41 Information Provided in Confidence	11	6
FOIA Section 42 Legal Professional Privilege	1	2
FOIA Section 43 Commercial Interests	20	16
<b>TOTAL</b>	<b>236</b>	<b>151</b>

- 7.9. It should be noted that the number of exemptions/exceptions does not match with the number of requests refused (Table 4) because more than one exemption/exception may be used in a refusal notice.

### Internal reviews and referrals to the Information Commissioner's Office

- 7.10. Should a requester be unhappy with the initial response to their request, they have the right to request an internal review. This is conducted by someone independent of the initial response and usually by a senior officer within the Compliance and Customer Relations Team. 62 internal reviews were undertaken in 2018/19 compared with 63 in the previous year.

*Table 7 - Internal Reviews and Outcomes*

<b>Outcome</b>	<b>2018/2019</b>	<b>2017/2018</b>
Not upheld (in favour of Council)	38	44
Ongoing review at end of year	3	0
Upheld – full (in favour of requester)	7	5
Upheld – partial (in favour of requester)	15	14
Withdrawn	1	0
<b>Total</b>	<b>62</b>	<b>63</b>

- 7.11. Should a requester remain unhappy following the internal review, he/she may appeal to the Information Commissioner's Office for a decision. Table 8 below outlines the outcomes for those requests which were referred to the ICO.

*Table 8 – Referrals to the Information Commissioner's Office (ICO)*

<b>Complaints to the ICO</b>	<b>2018/19</b>	<b>2017/18</b>
Late Notification	0	3
Ongoing at year end	3	3
Withdrawn	0	2
Complaint Upheld	0	2
Complaint Not Upheld	5	1
<b>TOTAL</b>	<b>8</b>	<b>11</b>

### 8. Complaints including Local Government and Social Care Ombudsmen Referrals

- 8.1. Appendices 1, 2(a) and 2(b) outline the number of cases of formal feedback received from customers during 2018/19 and administered under the Council's Corporate Compliments, Suggestions and Complaints Policy, as well as the Council's Adults and Children's Social Care Complaints Policies. A summary of the cases closed during 2018/19 by

the Local Government and Social Care Ombudsman is also provided. Figures for 2017/18 are also included for comparison.

- 8.2. During 2018/19 the Council received 3,051 instances of customer feedback – 958 were compliments, 137 were suggestions and 1,956 were complaints. Details are attached in Appendix 1.
- 8.3. Complaints increased slightly in 2018/19 compared with the previous year, when 1,898 were received. This increase can be partly attributed to the increase in complaints relating to Parking Services and the Education Service.
- 8.4. The number of recorded compliments in 2018/19 was 958, compared with 1,159 in 2017/18; half of these related to Adult Services. The Council also recorded 137 suggestions (130 in 2017/18). These are neither complaints nor compliments, but often suggested changes to policy or working practice.

### Stage 2 Corporate Complaints

- 8.5. Of the 1,753 corporate (i.e. non social care) complaints received in 2018/19, 102 customers requested a Stage 2 investigation and 18 went straight to Stage 2; for example in cases where there may have already been lengthy e-mail communications between the service and the customer.
- 8.6. This compares with 2017/18, when 109 customers requested a Stage 2 investigation and 24 went straight to Stage 2. The main areas which received requests for Stage 2 investigations were Development Management & Enforcement, Highways, Education (SEND) and Waste & Recycling.

### Children's Social Care Complaints Procedure

- 8.7. 114 new complaints were received in 2018/19, compared with 144 in 2017/18. Of the 114 complaints, 4 were dealt with at Stage 2, compared with 6 in 2017/18.

### Adult Social Care Complaints

- 8.8. 89 new complaints were received in 2018/19, compared with 87 in 2017/18. Of the 89 complaints, 5 complaints were dealt with at Stage 2, compared with 12 in 2017/18.



Local Government and Social Care Ombudsman (LGSCO) referrals

- 8.9. All customers are offered the opportunity to appeal to the LGSCO if they are unhappy with the way in which the Council has handled their complaint.
- 8.10. Appendices 2a and 2b show the number of Decision Notices issued to the Council during 2018/19 (75) and 2017/18 (91). During 2018/19, the LGSCO issued Decision Notices on 75 cases. 49 of these cases were closed after the LGSCO conducted their initial enquiry, 12 of the complaints were upheld in the customer's favour and 14 were not upheld. In the 12 upheld cases, it was considered that, in 3 of these, there was no injustice to the complainant.
- 8.11. There are a number of cases which the Ombudsman receives annually and which are rejected on receipt (for example, because they are premature or because the LGSCO has no jurisdiction over a particular type of complaint). These figures are published in the LGSCO's annual report, which is usually issued by the end of July following the end of the financial year.
- 8.12. An update report on LGSCO referrals will be submitted to Audit & Governance Committee in September 2019, following the publication of the Ombudsman's Annual Report.

**9. Regulation of Investigatory Powers (RIPA) Act**

- 9.1. The Council occasionally needs to use directed surveillance and obtain communications data, in order to carry out its enforcement functions effectively, e.g. planning enforcement, licensing enforcement, trading standards, environmental health and community enforcement. RIPA provides a regulatory framework to enable public authorities to obtain information through the use of certain covert investigatory techniques.
- 9.2. It is imperative that, when investigating alleged wrongdoing, certain conditions are met in each case in order that successful prosecutions can be made. In particular, it is essential that covert surveillance is only used when it is necessary and proportionate to do so. Therefore, this must be properly authorised and recorded, the tests of necessity and proportionality must be satisfied, and the potential for collateral intrusion must be considered and minimised.

9.3. The Council's Authorising Officers/Designated Persons are:-

- Chief Executive
- Executive Director – Place
- Executive Director - People

9.4. Once authorised, all applications need the approval of a Justice of the Peace/Magistrate, as required by the Protection of Freedoms Act 2012. The Act also restricts the use of RIPA authorised surveillance to the investigation of offences which attract a custodial sentence of six months or more. The Director of Governance and Compliance Services assumes responsibility for the integrity of the process to ensure that the Council complies with the legislation.

Use of Covert Human Intelligence Source (CHIS)

9.5. Covert human intelligence sources may only be authorised if there are certain additional arrangements in place, including an employee of the Council being responsible for the source's security and welfare and a Senior Officer with general oversight of the use made of the source. Use of a CHIS must be authorised by the Chief Executive before it is approved by a Justice of the Peace/Magistrate.

Applications Authorised

9.6. The table below shows the number of applications authorised during 2018/19, compared with previous years.

	Directed surveillance	Communications Data	CHIS
2018 - 19	1	1	0
2017 - 18	1	0	0
2016 - 17	6	0	0

## 10. Whistleblowing

10.1. Cheshire East has an established whistleblowing policy and detailed supporting guidance available on both Centranet and the Council's website. The current policy was introduced following a review of the Council's arrangements by Public Concern at Work (now known as Protect), the leading advocate for whistleblowing in the UK.

10.2. The review took place in September 2017 and recognised that whilst the Council had in place a robust and detailed policy, a more streamlined approach was recommended. In response, the model policy provided as

part of the review was adapted to reflect the requirements of Cheshire East and adopted in March 2018.

- 10.3. It can be difficult to determine whether an organisation's whistleblowing arrangements are effective as it is important to take into consideration more than simply the volume of reports received. This is because a single, well founded concern received over a number of years more than justifies maintaining the whistleblowing arrangements.
- 10.4. It is therefore important to ensure that employees, members and external parties working for the Council are aware of the arrangements and provided with assurance that any concerns raised will be taken seriously and that anyone raising concerns will be protected from suffering any detriment as a result of "blowing the whistle".
- 10.5. To achieve this, the following work has been undertaken:
- Publicity and signposting of the policy in Team Voice and on Centranet.
  - Development and launch of detailed guidance for officers and members in the event that they are approached with a concern.
  - Training delivered to Audit and Governance Committee
  - Training delivered to Wider Leadership Team, Finance and HR staff.
  - Promotion of the Whistleblowing arrangements under the Brighter Futures Culture Workstream communications and events

#### Referrals Received

- 10.6. The table below shows the number of referrals received during 2018/19 along with a breakdown of the outcome and comparative figures for 2017/18:

	2018/19	2017/18
<b>No of Referrals Received</b>	5	5
<b>Met criteria and action taken:</b>		
Unfounded after testing concerns	1	2
Referred for investigation after testing concerns	1	-
<b>Did not meet criteria and action taken:</b>		
Referred to DWP	1	2
Referred for disciplinary investigation	1	-
Rejected after testing concerns	1	1

- 10.7. It is pleasing to note that all of the concerns raised were as a result of what appears to be genuine unease on the part of our staff, and that sufficient information was provided to allow for the concerns raised to be tested in each case.
- 10.8. Although only a small number of concerns were raised through the whistleblowing policy in both 2017/18 and 2018/19, there is no evidence that staff failed to report concerns because of fear that it would be detrimental to them.
- 10.9. Serious concerns have been raised via whistleblowing in the past and a concern relating to a serious matter was referred during 2018/19 but was found to be unfounded following investigation by Internal Audit.

## **11. Constitution/Decision Making Process in operation**

- 11.1. The Constitution is monitored and reviewed at officer level by the Monitoring Officer and at member level by the Constitution Committee. Significant changes are submitted to Council for approval. Minor changes can be made by the Committee or by the Monitoring Officer in consultation with the Chairman and Vice-Chairman of the Committee.
- 11.2. During 2018/19 there were approximately 50 closed Committee sessions, held under Section 12a of the Local Government Act 1972. These included Cabinet, Appeals Sub-Committee, General Licensing Sub-Committee, Investigation and Disciplinary Committee, ASDV Shareholder Committee, LA School Governor Nomination Panel, and the Corporate Parenting Committee.
- 11.3. There were three closed Overview and Scrutiny Committees during 2018/19; two at Environment and Regeneration Overview and Scrutiny Committee and one at Children and Families Overview and Scrutiny Committee.

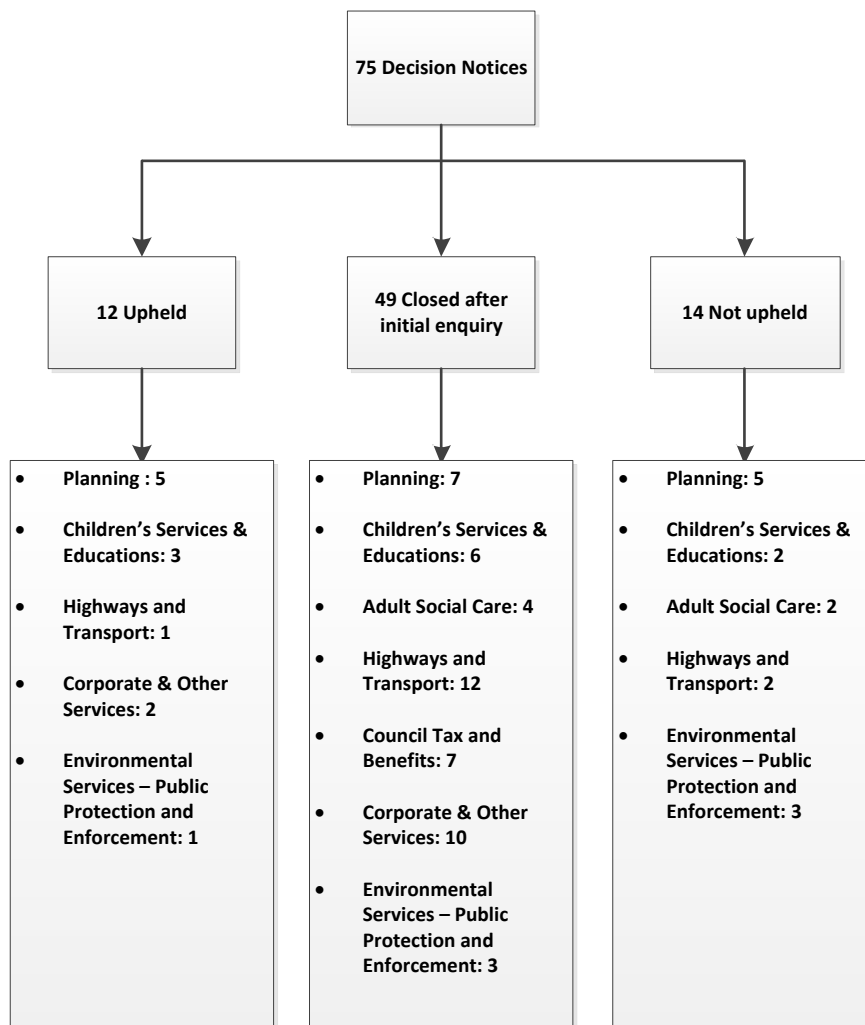
## COMPLAINTS RECEIVED – Appendix 1

Service Area	Complaints Received 2018 / 2019	Complaints Received 2017 / 2018	Compliments Received 2018 / 2019	Compliments Received 2017 / 2018	Suggestions Received 2018 / 2019	Suggestions Received 2017 / 2018
Waste & Recycling	636	616	63	82	20	9
Highway Operations	248	256	35	49	18	1
Council Tax & Billing	179	141	70	58	9	2
Children's Services*	139	221	18	73	49	49
Development Management & Enforcement	123	130	1	2	2	2
Adult Services*	91	87	473	619	19	45
Parking Enforcement	89	46	2	4	2	2
Customer Services	64	58	101	71	3	4
Education	64	11	18	8	0	1
Grounds Maintenance	39	20	66	84	4	1
Mixed Service Area	36	8	10	9	3	1
Benefits	33	53	12	28	0	0
Transport	30	24	2	1	0	1
Community Safety	21	33	2	0	0	0
Environmental Protection	21	18	4	1	0	0
Street Cleansing	21	15	32	25	1	3
Assets	15	9	0	0	0	0
Building Control	14	6	0	0	0	0
Licensing	14	14	0	0	0	0
Housing	12	11	1	1	1	0
Business Rates & Billing	10	4	20	11	0	0
Highways Strategy	10	41	1	0	1	6
Facilities	7	3	1	0	0	0
Bereavement	4	3	0	0	0	0
Electoral Registration	4	13	0	1	0	0
Library & Cultural Services	4	8	0	21	0	1
Legal Services	3	5	19	0	0	0
Public Rights of Way	3	4	0	0	0	0
Regeneration & Economic Development	3	1	0	0	3	2
Visitor Economy incl. Tatton Park	3	1	2	1	1	0
Animal Welfare	2	0	0	0	0	0
Ranger Service	2	0	0	0	0	0
Spatial Planning	2	6	0	0	0	0
Trading Standards	2	3	0	0	0	0
Finance General	1	2	0	0	0	0
HR	1	1	1	0	0	0
ICT	1	0	0	0	0	0
Leisure	1	10	1	0	0	0
Markets	1	0	0	0	0	
Partnerships Business Manager	1	2	0	0	0	0
Public Health	1	0	0	0	0	0
Registration	1	4	2	0	0	0
Communications & PR	0	4	0	3	0	0
Democratic Services	0	3	1	0	1	0
Engine of the North	0	0	0	0	0	0
Governance & Audit	0	0	0	0	0	0
Green Spaces	0	0	0	6	0	0
Land Charges	0	0	0	1	0	0
Planning & Performance	0	0	0	0	0	0
Procurement	0	1	0	0	0	0
Shared Services	0	2	0	0	0	0
Transformation	0	0	0	0	0	0
<b>Total Complaints</b>	<b>1956</b>	<b>1898</b>	<b>958</b>	<b>1159</b>	<b>137</b>	<b>130</b>

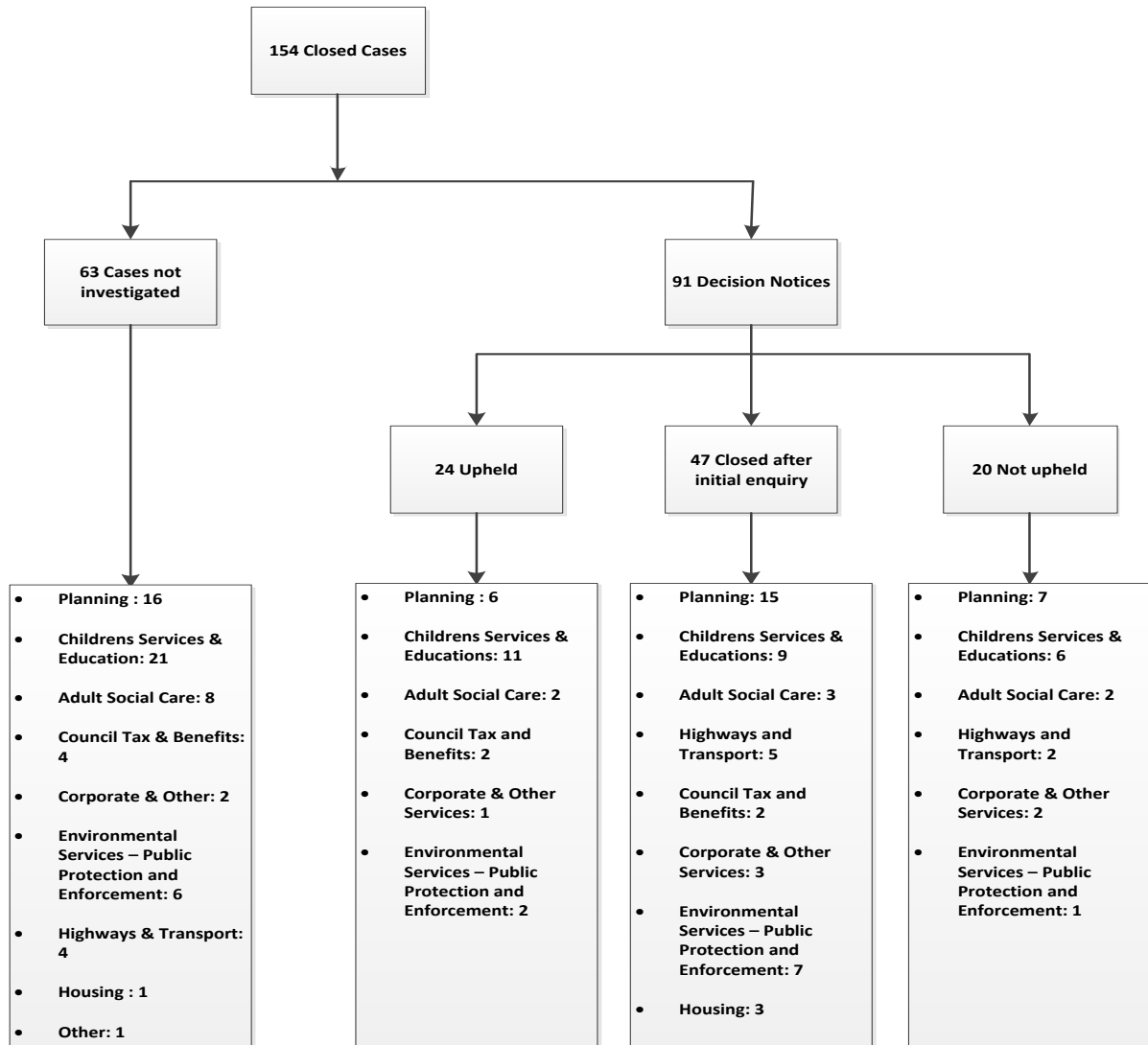
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LGSCO Decision Notices 2018/19 – Appendix 2a

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LGSCO Decision Notices 2017/18 – Appendix 2b



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## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Maladministration Decision Notices from Local Government and Social Care Ombudsman – March – April 2019

**Senior Officer:** Catherine Parkinson – Interim Director Governance and Compliance

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### **1. Report Summary**

- 1.1. This report provides an update on the Decision Notices issued by the Local Government and Social Care Ombudsman (LGSCO) when his investigations have found maladministration causing injustice to complainants. This report details the decisions made between 1<sup>st</sup> March 2019 and 30<sup>th</sup> April 2019. There were 2 decisions in which the LGSCO found that there was maladministration causing injustice; the relevant departments have taken the recommended actions and learned lessons from the investigation outcomes. It is not possible to report on any Decision Notices issued from May 2019 onwards, as the LGSCO imposes a three month reporting embargo. Any decisions received after 30<sup>th</sup> April 2019 will be reported at a subsequent Audit & Governance meeting.

### **2. Recommendation**

- 2.1. That the Committee notes the contents of this report and makes any further response it considers appropriate.

### **3. Reasons for Recommendation**

- 3.1. The Terms of Reference for the Audit & Governance Committee include seeking assurance that customer complaint arrangements are robust and that recommendations agreed with the LGSCO are being implemented.

### **4. Other Options Considered**

- 4.1. This is not applicable.

## **5. Background**

- 5.1. The Local Government Act 1974 established the Local Government and Social Care Ombudsman (LGSCO). It empowers the Ombudsman to investigate complaints against councils and adult social care providers and to provide advice and guidance on good administrative practice. Once a complainant has exhausted the Council's Complaints procedure, their next recourse, should they remain dissatisfied with the Council's response, is to contact the LGSCO.
- 5.2. The LGSCO will assess the merits of each case escalated to them and seek clarification from the Council as necessary before making the decision to investigate a complaint. Once the LGSCO decides to investigate, they will try to ascertain if maladministration has occurred and whether or not there has been any resulting injustice to the complainant as a result of the maladministration.
- 5.3. In instances where maladministration and injustice is found, the LGSCO will make non-legally binding recommendations which they consider to be appropriate and reasonable. Although not legally binding, refusal to accept the LGSCO's recommendation will trigger a Public Report.
- 5.4. A Public Report is a detailed account of the complaint, outlining the failures by the Council in this particular investigation; this can have a significant damaging effect on the Council's reputation.
- 5.5. During the period between 1<sup>st</sup> March 2019 and 30<sup>th</sup> April 2019 the Council received 2 Decision Notices in which the LGSCO have concluded that there has been maladministration causing injustice. The details can be found in Appendix 1.
- 5.6. The first planning complaint outlined in the appendix was as a result of planning permission being granted for a housing scheme which required ground levels to be raised to accommodate the drainage scheme. The complainant raised concerns about elements of waterlogging on his property which the Council sought to intervene on and resolve through discussions with the developer.
- 5.7. The Ombudsman raised concerns over the discharge of conditions application and that through a lack of clear communication, the Council allowed the drain installation to proceed with permission on the basis it was thought it was helping the perceived problem, when in fact the flood risk team were not satisfied with the design of the drainage system.
- 5.8. The required actions set by the ombudsman have already taken place. In addition to this, the planning department have sought to learn from the

criticisms received by discussing the outcome of the Ombudsman's investigation at team meetings and reminding officers of the need to be more mindful of land levels on developments and for the need to adopt a more co-operative approach with the Council's flood risk management team with particular regard to the discharge of planning conditions applications.

- 5.9. The second planning complaint outlined in the appendix was as a result of a planning application which was first submitted in 2015 as an outline scheme (approved in 2016), with subsequent reserved matters and amendments considered in 2017.
- 5.10. The Ombudsman criticised the Council for failing to make relevant information available for consideration. Fault was also found as a result of the Council having provided incorrect advice and for failing to consider the complainants concerns of overshadowing that the development would cause.
- 5.11. In addition to completing the recommendations set by the Ombudsman, the planning department has reminded their officers of the need to ensure reports and conditions are clearly written and justifications are clearly presented. Due to the age of the original application, the issues identified regarding the availability of information on the Council's website were resolved some time ago in late 2015.
- 5.12. It is worth noting that these two cases represent a very small percentage of the applications considered by the Council. In 2018 Cheshire East Council handled 6154 applications (of all types) and it continues to remain one of the busiest planning authorities in the country. Only Cornwall, Wiltshire, Westminster, Birmingham and Leeds determined more applications during the same period.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. There are no legal implications flowing directly from the content of this report.

### **6.2. Financial Implications**

- 6.2.1. If fault causing injustice is found, the Council can be asked to pay compensation to a complainant, the level of which is determined on a case by case basis. The cost of such compensation is paid for by the service at fault. In the period being reported, the Council was required to make compensation payments totalling £700.

**6.3. Policy Implications**

- 6.3.1. Adherence to the recommendations of the LGSCO is key to ensuring that customers have objective and effective recourse should they be unhappy with the way in which the Council has responded to their complaint.

**6.4. Equality Implications**

- 6.4.1. There are no equality implications flowing directly from the content of this report.

**6.5. Human Resources Implications**

- 6.5.1. There are no HR implications flowing directly from the content of this report.

**6.6. Risk Management Implications**

- 6.6.1. There are no risk management implications.

**6.7. Rural Communities Implications**

- 6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

- 6.8.1. There are no direct implications for children and young people.

**6.9. Public Health Implications**

- 6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

- 6.11. There are no direct implications to climate change.

**7. Ward Members Affected**

- 7.1. There are no direct implications for Ward Members.

**8. Access to Information**

- 8.1. Please see Appendix 1.

**9. Contact Information**

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

Name: Juan Turner

Job Title: Compliance and Customer Relations Officer

Email: [juan.turner@cheshireeast.gov.uk](mailto:juan.turner@cheshireeast.gov.uk)

## Appendix 1 - LGSCO Decisions where Maladministration with Injustice has Taken Place

March – April 2019

Service	Summary and Ombudsman's Final Decision	Agreed Action	Link to LGSCO Report	Action Taken	Lessons Learnt
Planning	<p>Mr Q complained about the impact of a housing development.</p> <p>The Ombudsman upholds his complaint, finding the Council was inattentive when it allowed the developer to raise land levels next to the boundary of his home. This may have contributed to waterlogging along that boundary.</p> <p>The Ombudsman also considered that the Council failed to consider adequately the developer's proposed solution. These matters have caused Mr Q distress including uncertainty. The Council has agreed a series of actions to remedy this injustice.</p>	<p>The Council has agreed to</p> <p>a) Apologise to Mr Q accepting the findings of this investigation; and</p> <p>b) Pay Mr Q £500 in recognition of his injustice.</p> <p>c) It will aim to complete a review of the drain on the western boundary of the site. In the event the Council is unable to complete its review in 40 working days it will write to Mr Q monthly to update him on progress.</p> <p>d) The Council has agreed to write to Mr Q to explain if it is satisfied with the land drain installed on the western boundary once the review is complete.</p> <p>e) Before signing off any drainage works as satisfactory it has agreed that its actions in this case will be reviewed by a senior manager with no previous involvement in the complaint.</p> <p>f) The Council will also write to other</p>	<a href="https://www.lgo.org.uk/decisions/planning/enforcement/17-018-884">https://www.lgo.org.uk/decisions/planning/enforcement/17-018-884</a>	<p>The Planning Team have concluded their review and notified the complainant of the outcome as well as other interested residents.</p> <p>It has also issued an apology letter along with the £500 payment to the complainant.</p>	<p>The need to be mindful of land levels on developments and for the need to adopt a more co-operative approach with the Council's Flood Risk Management Team</p>

		residents who have been affected by drainage issues on the western boundary.			
Planning	<p>Mrs K, complained about the Council's handling of planning applications for the development of a nearby site adjacent to a conservation area.</p> <p>The Ombudsman found fault on the part of the Council with regards to its handling of an outline planning application.</p> <p>However, the Ombudsman considered it unlikely on balance of probabilities that the outcome would have been different even if the Council had acted without fault. The Council has agreed to take action to address the distress and inconvenience caused to the complainant by its fault.</p>	<p>The Council has agreed to write to Mrs K to apologise for:</p> <p>Failing to make relevant information available for consideration by objectors and the planning committee as part of its consideration of the outline planning application in this case.</p> <p>Providing her with incorrect and contradictory information about the conditions attached to the outline planning approval.</p> <p>Failing to properly consider whether the development would result in overshadowing of her property.</p> <p>The Council has agreed to pay Mrs K £200 in recognition of the distress and inconvenience caused to her by this fault.</p>	<a href="https://www.lgo.org.uk/decisions/planning/planning-applications/17-002-394">https://www.lgo.org.uk/decisions/planning/planning-applications/17-002-394</a>	<p>The Planning Team has issued an apology for the failings identified by the Ombudsman and made the £200 payment to the complainant.</p>	<p>The need to ensure reports and conditions are clearly written and justifications are clearly presented.</p>



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## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Annual Information Governance Update 2018/19

**Senior Officer:** Frank Jordan, Executive Director – Place

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### **1. Report Summary**

- 1.1. This report provides an update on the Council's Information Assurance and Data Management (IADM) programme.

### **2. Recommendation/s**

- 2.1. That the Committee note the progress made on the Information Assurance Programme during 2018/19.

### **3. Reasons for Recommendation**

- 3.1. To provide the Audit and Governance Committee with an update on Information Assurance.

### **4. Other Options Considered**

- 4.1. Not applicable.

### **5. Background**

- 5.1. There is a rising expectation that public authorities handle information on behalf of its citizens in a robust manner. Protecting people's personal information ranks in the top 10 concerns in a survey by the Information Commissioner's Office. A data protection law expert from Pinsent Masons stated recently that *"organisations need to ensure that they not only have appropriate policies and procedures in place but that they can demonstrate through risk assessment, audit and review that the processes being adopted meet the standards of the GDPR and the UK's new Data Protection Act of 2018. Essentially, the culture of compliance should be within the DNA of the business"*.

- 5.2. The General Data Protection Regulation (GDPR) places data protection privacy by design and by default at its heart, meaning that organisations need to integrate data protection into their data processing activities and business practices. GDPR also sets out the principles that organisations need to follow and the penalties to be expected should they not comply. Penalties for non-compliance for the Council can now be up to €20 million.
- 5.3. Public Sector organisations are also expected to comply with the Government's Transparency Agenda and publish information so that it is readily available i.e. open data. The underlying principle for open data is that Government will be more accountable by publishing information to the public and consequently engender greater trust from its citizens. The two positions of being open and at the same time secure may seem at odds, one to protect, one to share but both are compatible as long as information and its privacy are considered at each stage.
- 5.4. The IADM programme is ensuring that appropriate governance and process is in place for the Council to manage and handle information so that risks are treated and opportunities to share and use information are realised.
- 5.5. The Council has also established an Information Governance Group (IGG) which oversees the arrangements around Information Management in the Council.
- 5.6. Both IGG and IADM are central to leading and governing the Council's arrangements for managing information in compliance with relevant legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). This must be underpinned by strategy, policy, procedures, culture and behaviours.
- 5.7. The IADM programme has developed six core principles as part of the assurance framework; which are summarised below.

*5.7.1. To provide clear leadership and guidance on how the organisation should manage, control and retain information.*

The programme is focussed on instilling corporate standards, policies and business practices to provide the required leadership and governance.

*5.7.2. Create, grow and foster a culture that values information.*

The programme continues to work with data owners and the whole organisation through roadshows, workshops and projects to develop a



culture in the council which values the appropriate management of information and data. The change to the email retention policy is an example of how changes to how we view information can be challenging but achievable for the organisation.

*5.7.3. Enable and assure compliance.*

Understanding compliance is key to services achieving it, therefore it is a key objective of the programme to create an understanding of legislation and that information sharing is seen as an opportunity; when it is done with the correct controls and measures. The introduction of GDPR has reengaged focus on this and work is on-going to educate staff on the sharing and disclosure of information.

*5.7.4. Create and embed corporate information standards and frameworks.*

Information Management now forms part of the corporate annual assessment and the programme will continue to document and publish standard working frameworks for information practices across the authority. Information should be in a managed state at all times throughout its lifecycle, and where possible technology should be used to automate and control this. Implementation of key technologies such as Electronic Document and Records Management System (EDRMS), Enterprise Content Management (ECM) and protective marking / classifications are ensuring the council is standardising and protecting information.

*5.7.5. Champion the accuracy, availability and integrity of information.*

The Programme through a number of projects has increased the accuracy and integrity of address data. Prior to this, the Council's address data was classed as low quality, frequently falling below the national standard as governed by GeoPlace (the public sector partnership that oversees the national address gazetteer). Currently address data is within the highest levels of quality with the Council being awarded with gold standard for address data. Consequently, the availability of address data has also increased with more council services being able to use and trust the dataset, which has had a direct benefit on services such as Council Tax.

*5.7.6. Use information to create intelligence.*

Information across the authority must align to acceptable quality standards for it then to be used in meaningful and reliable ways to inform

decision making and service delivery. There is on-going work under IADM to establish data management and quality frameworks.

- 5.8. During 2018/19 the IADM programme delivered a number of focussed workshops with Heads of Service and roadshows and drop-ins for staff with the aim of clarifying the importance of information governance.
- 5.9. There are a number of projects being delivered to manage information across the various channels for the cleansing, deduplication and rationalisation of files, applications and records. This has the potential to allow the Council to safely remove information (upwards of half a million electronic files) no longer required by the Council which is either duplicated or past its retention date, this will ensure compliance with internal policy, and legislation and improve data quality and accessibility.
- 5.10. The Email Retention policy of two years has been approved and communicated; this will remove duplicate information held in the email system and support the requirements of GDPR. Information must reside with relevant case files or in central repositories (such as a case or content management solution) to ensure that it forms part of informed decision making, that it is accessible, secure and retained as per the retention assigned to the case.
- 5.11. A new e-learning training package (Protecting and Managing Information) has been developed and issued to officers to ensure consistent and compliant management of information across the authority. This training is mandatory for all officers to complete.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. The Council must comply with GDPR, the Data Protection Act 2018, the Computer Misuse Act 1990, the Freedom of Information Act 2000 and other relevant legislation particularly those relating to retention of information.
- 6.1.2. GDPR has brought in substantially higher levels of penalties for data controllers than the previous legislation, up to €20 million and has introduced fines for data processors. The Council needs to understand what data they control and what is processed on their behalf and build data protection into its day to day processes to ensure that it and organisations processing data on its behalf are compliant.

**6.2. Finance Implications**

6.2.1. There are no financial implications but as the report highlights, failure to appropriately manage data and information could leave the council open to financial penalties.

**6.3. Policy Implications**

6.3.1. The Council's internal policies on Data Protection, ICT Security and Information Assurance will reflect any changes identified as part of the GDPR, the Data Protection Bill and the Data Protection Act 2018.

**6.4. Equality Implications**

6.4.1. Equality impact assessments will be considered when required.

**6.5. Human Resources Implications**

6.5.1. Under the new GDPR data subjects can obtain from the data controller confirmation as to whether or not personal data concerning them is being processed, where and for what purpose. This requirement cannot be met if information is not managed in a compliant manner or used as a storage mechanism for information.

**6.6. Risk Management Implications**

6.6.1. Any changes to the risk profile of information and the Council will be detailed within the corporate risk register.

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Ward Members Affected**

7.1. Implications are borough wide

## **8. Consultation & Engagement**

- 8.1. The Information Governance Update has been considered by the Audit and Governance Committee in July 2018.

## **9. Access to Information**

- 9.1. There is no additional information.

## **10. Contact Information**

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

Name: Gareth Pawlett  
Job Title: Head of ICT Services and Chief Information Officer  
Email: [Gareth.Pawlett@cheshireeast.gov.uk](mailto:Gareth.Pawlett@cheshireeast.gov.uk)



*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Internal Audit Annual Report 2018/19

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. This report provides the Audit and Governance Committee with the Annual Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment for 2018/19. The report is timed to support the Annual Governance Statement (AGS).

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Notes and considers the contents of the Internal Audit Annual Report 2018/19 (Appendix A); and
  - 2.1.2. Notes the Internal Audit opinion on the Council's framework of risk management, control and governance for 2018/19 as "Adequate".

### **3. Reasons for Recommendations**

- 3.1. The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk Management) to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement (AGS).

### **4. Other Options Considered**

- 4.1. Not applicable.

### **5. Background**

- 5.1. 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, via the Audit and Governance Committee, that these

arrangements are in place and operating properly. The annual internal audit opinion informs the AGS. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.

- 5.2. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the proper practices.
- 5.3. The Chief Audit Executive provides a written report to those charged with governance timed to support the Annual Governance Statement. The primary purpose of the report, which is set out in Appendix A, is to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control i.e. the control environment.
- 5.4. Internal Audit participated in a peer review co-ordinated by the North West Chief Audit Executive Group to facilitate the external assessment required by the Public Sector Internal Audit Standards. The Committee received the individual results of the assessment in September 2018. The Group has produced a summary of findings from the exercise and this is attached for the Committee's information at Appendix B.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2015 establishes a specific responsibility for the Council to conduct a review at least once a year of the effectiveness of its system of internal control

### **6.2. Finance Implications**

- 6.2.1. The Internal Audit team is appropriately resourced to comply with statutory and best practice requirements. Resourcing of the Internal Audit team is regularly monitored and reported upon to the CLT and the Audit and Governance Committee.

### **6.3. Policy Implications**

- 6.3.1. There are no policy implications identified.

### **6.4. Equality Implications**

- 6.4.1. There are no equality implications identified.

**6.5. Human Resources Implications**

6.5.1. There are no human resources implications identified.

**6.6. Risk Management Implications**

6.6.1. Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment, could result in non-compliance with the requirements of the Accounts and Audit Regulations 2015

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Ward Members Affected**

7.1. All Ward Members as the report provides the Annual Audit Opinion on the Council's control environment.

**8. Access to Information**

8.1. The full Internal Audit Annual Report 2018/19 is attached as Appendix A to this report.

**9. Contact Information**

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

Name: Josie Griffiths/Michael Todd

Job Title: Head of Audit and Risk Management/Principal Auditor

Email: [michael.todd@cheshireeast.gov.uk](mailto:michael.todd@cheshireeast.gov.uk)

[Josie.griffiths@cheshireeast.gov.uk](mailto:Josie.griffiths@cheshireeast.gov.uk)

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# Internal Audit Annual Report 2018-19

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

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## Cheshire East Council - Internal Audit Annual Report 2018/19

**1 Introduction**

1.1 From 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note became the standards by which all Local Government Internal Audit Sections must comply. The Standards were updated in March 2017 and the Local Government Application Note was updated earlier this year.

1.2 As set out in the PSIAS, the Council's Chief Audit Executive (Head of Audit and Risk) must provide an annual report to the Audit and Governance Committee - timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).

1.3 It should also include:

- disclosure of any qualifications to that opinion, together with the reasons for the qualification;

- disclosure of any impairments ('in fact or appearance') or restriction in scope
- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and target;
- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

1.4 As has been the case for the previous three years, this report has been prepared by the Council's Principal Auditors who continued acting up to cover the responsibilities of the vacant roles until the recent appointment of the Head of Audit and Risk Management.

**2 Background and Context**

2.1 In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the Medium Term Financial Strategy.

2.2 Expected gross expenditure in 2018/19 by the Council was £615m, with a capital programme of £326m. This annual expenditure supports service

## Cheshire East Council - Internal Audit Annual Report 2018/19

delivery to over 370,000 residents, in line with our six strategic outcomes for residents.

2.3 During 2018/19 the Council continued to develop innovative solutions for service delivery to provide the best possible outcomes for the residents of Cheshire East at a competitive price.

2.4 The Council's 2018/19 audit plan reflected this through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas.

2.5 In preparing, reviewing and updating the plan during the year, the following were taken into account:

- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- Internal Audit's own risk assessment.
- Cheshire East Council's Corporate Plan 2017-2020.
- Consultation with key stakeholders e.g. Corporate Leadership Team (CLT), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.

- The impact of unplanned investigation work undertaken during the year.

2.6 Staffing resource for Internal Audit has again been limited during 2018/19. This was due to vacancies to the former Corporate Manager Governance and Audit and the Audit Manager posts. The Head of Audit and Risk Management has recently been appointed, providing the opportunity to review the structure and recruit to vacant posts.

2.7 During the year, the Principal Auditors continued to carry out the senior management roles within the team thus ensuring that the responsibilities placed upon the 'Chief Audit Executive' by the PSIAS have been fulfilled. As a result the capacity to carry out audit assignments and review and quality assure work undertaken has been limited.

2.8 Despite this limited audit resource, the team has delivered sufficient coverage, to the appropriate standard, to enable an informed opinion to be provided on the control environment.

### 3 Opinion on the Control Environment

3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance

## Cheshire East Council - Internal Audit Annual Report 2018/19

issues and control failures that have been identified.

- 3.2 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 3.3 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.
- 3.4 The Council continues to make changes to its organisational structures and ways of working in a number of services as the Council's transformation and improvement programme continues to gather pace. This has increased the challenges to the internal control environment with changes to both staffing structures and delivery models.
- 3.5 Our work has confirmed that adequate management arrangements are in place to ensure that services are being delivered and agreed savings proposals are being realised. Findings are delivered through formal audit reports and action

plans and this is complemented by regular meetings with departmental management teams to provide updates on audit, internal control, risk and governance issues as well as a programme of follow ups of audit recommendations.

- 3.6 In arriving at the 2018/19 Opinion, it was recognised that Internal Audit has continued its work in relation to a number of reviews of land transactions, at the request of the Acting Chief Executive and Executive Director Place, which have resulted in referrals to the police. It was also recognised, however, that these reviews were concerned with historic transactions and as such have not impacted upon our Opinion of the current control environment.
- 3.7 In response to these reviews, a consolidated findings report was produced and an action plan agreed to ensure that control weaknesses identified across these reviews were captured and addressed. A review of current arrangements, and follow up on the implementation of agreed actions in this area, is included with the 2019/20 Internal Audit Plan.

## Cheshire East Council - Internal Audit Annual Report 2018/19

**Internal Audit Opinion on the Council's control environment****The Council's framework of risk management, control and governance is assessed as Adequate for 2018/19.**

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

- the programme of internal audit reviews - including opinion based work undertaken during the year;
- Management's response to advice and recommendations
- the process of producing the Council's annual governance statement; and
- periodic reports to Audit and Governance Committee on the Council's Risk Management Arrangements

**4 Summary of Audit Work 2018/19**

4.1 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 organisation that these arrangements are in place and operating properly.

4.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires 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.

4.3 A risk based Internal Audit plan is produced each year to ensure that:

- the scale and breadth of audit activity is sufficient to allow Internal Audit to provide an independent and objective opinion to the Council on the control environment; and
- audit activity focuses on areas where assurance is most needed i.e. risk based coverage.

4.4 In preparing the risk based plan for 2018/19 Internal Audit consulted with CLT and the Audit and Governance Committee. They also considered:

- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
- their own risk assessment;

## Cheshire East Council - Internal Audit Annual Report 2018/19

- the Council's Corporate Plan 2017-2020; and
  - discussion with key stakeholders including external audit, the internal audit team and also the Cheshire West and Chester internal audit team in relation to shared services.
- 4.5 The plan was broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
  - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.6 The plan was reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes were communicated to both CLT and the Audit and Governance Committee.
- 4.7 Interim reports on progress against the Internal Audit Plan and work carried out by the team were presented to Audit and Governance Committee in September 2018, December 2018 and March 2019.
- 4.8 A summary comparison of the 2018/19 Audit Plan with actuals for the year is shown in Table 1.
- 4.9 A summary of the audit work carried out in support of the Annual Internal Audit Opinion is shown in Table 2.
- 4.10 In line with the approach outlined in the Internal Audit plan, our work focuses on areas of higher risk, or where concerns/issues have previously been identified. This naturally results in there being a higher proportion of "Limited" or "No Assurance" reports. The recognition of these issues, and management's role in implementing the agreed action plans demonstrates the value added and improvements in the control environment achieved by Internal Audit's role.

## Cheshire East Council - Internal Audit Annual Report 2018/19

Table 1: Summary Comparison of Audit Plan 2018/19 and Actuals

Area of Plan		Original Plan		Revised Plan		Actuals (to 30/03/2019)		Comments on coverage
		Days	%	Days	%	Days	%	
<b>Chargeable Days</b>		<b>1,184</b>		<b>1,308</b>		<b>1,322</b>		
Less: Corporate Work		160		160		146		Minimised/reduced work where possible to prioritise investigation work.
<b>Available Audit Days:</b>		<b>1,024</b>	<b>100%</b>	<b>1,148</b>	<b>100%</b>	<b>1,176</b>	<b>100%</b>	
Corporate Governance and Risk		120	12%	134	12%	89	8%	
Anti-Fraud and Corruption	Proactive Reviews	40	4%	45	4%	65	6%	
	Reactive Investigations	50	5%	56	5%	180	15%	Includes counter fraud investigations.
Chief Operating Officer (COO)	Key Financial Systems	145	14%	162	14%	170	14%	
	Corporate Core & Cross Service	255	25%	286	25%	235	19%	
Children and Families		64	6%	72	6%	77	6%	
Adult's Social Care		65	6%	72	6%	68	6%	
Community and Partnerships		15	1%	17	1%	3	0%	Work rolled forward into 2019/20
Public Health		15	1%	17	1%	2	0%	Work rolled forward into 2019/20
Planning and Sustainable Development		20	2%	22	2%	8	1%	
Infrastructure and Highways		30	3%	34	3%	10	1%	
Growth and Regeneration		40	4%	45	4%	108	9%	Includes work relating to land transactions.
Rural and Green Infrastructure		15	1%	17	1%	8	1%	
Providing Assurance to External Organisations		40	4%	45	4%	14	1%	Does not contribute to the Annual Opinion
Advice & Guidance		30	3%	34	3%	24	2%	
Other Chargeable Work		80	9%	90	9%	115	10%	
<b>Total Audit Days</b>		<b>1,024</b>	<b>100%</b>	<b>1,148</b>	<b>1,176</b>	<b>1,176</b>	<b>100%</b>	

## Cheshire East Council - Internal Audit Annual Report 2018/19

## Summary of Audit Work to support the overall opinion

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Management Group Board
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Counter Fraud	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator



## Cheshire East Council - Internal Audit Annual Report 2018/19

Table 2: Summary of Final Assurance Reports 2018/19 to 31<sup>st</sup> March 2019

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Council Tax 2018/19	Identified via Planning Process	Good	N/A	
National Non-Domestic Rates 2018/19	Identified via Planning Process	Good	N/A	
Council Tax Billing Reconciliation 2019/20	Identified via Planning Process	Good	N/A	
National Non-Domestic Rates Billing Reconciliation 2019/20	Identified via Planning Process	Good	N/A	
C&WLEP Assurance to Section 151 Officer	Identified via Planning Process	Good	N/A	
Community Grants	Identified via Planning Process	Good	N/A	
Revenue Budget Monitoring	Identified via Planning Process	Satisfactory	All actions agreed	<b>First reported in September 2018 update report</b>
Free School Meals	Identified via Planning Process	Satisfactory	All actions agreed	<b>First reported in September 2018 update report</b>

## Cheshire East Council - Internal Audit Annual Report 2018/19

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Schools HR Team	Identified via Planning Process	Satisfactory	All actions agreed	<b>First reported in March 2019 update report</b>
Highways Contract Procurement	Identified via Planning Process	Satisfactory	All actions agreed	<b>First reported in March 2019 update report</b>
Visitor Attraction – Tatton Park	Identified via Planning Process	Limited	All actions agreed	<b>First reported in September 2018 update report</b> The objective of the review was to provide assurance on the effectiveness of controls in place around financial control in the establishment; management of income and expenditure, staffing expenses and inventory management.  The review concluded that; - The reconciliation of income processes could be improved. - The Scheme of Financial Delegation needs to be updated. - Consistency is needed in the application of controls on the authorisation of purchase card transactions and employee expenses. - The establishment needs a complete equipment register, including ICT and non ICT items; a full inventory of artefacts is in place.

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Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
External Moderation Arrangements	Identified via Planning Process	Limited	3 actions agreed  1 not agreed	<p><b>First reported in September 2018 update report</b></p> <p>The purpose of the review was to provide assurance on the controls in place to manage the risk of the Council not having provision for and a system in place for moderating teacher assessments at its maintained schools, therefore not complying with its statutory requirements.</p> <p>The review identified inconsistencies in the design and application of controls in place. Whilst the Council has provision for moderating teacher assessments it could improve on consistency of retaining records of attendance on supporting documentation.</p> <p>Whilst there is a system in place to moderate the assessments, the application of controls in relation to the sample sizes of tests was inconsistent.</p>
Section 106	Identified via Planning Process	Limited	All actions agreed	<p><b>First reported in September 2018 update report</b></p> <p>The objective of the view was to review the adequacy of controls around the requests, collection, management, implementation and expenditure of Section 106 schemes undertaken by the Council and its Wholly Owned Companies.</p> <p>The review concluded that Section 106 agreements are not being effectively managed due to significant resource constraints, an inadequate IT monitoring system and a lack of policy and procedures.</p> <p>Furthermore only financial obligations are included within the monitoring spreadsheet, and non financial obligations (excluding affordable housing) are going unmonitored.</p>

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Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Performance Management and Reporting – Statutory Returns	Identified via Planning Process	Limited	All actions agreed.	<p><b>First reported in September 2018 update report</b></p> <p>This review was undertaken to provide assurance on the arrangements in place to manage the risk of data for statutory returns not being collected in a complete, accurate and timely manner.</p> <p>The Council is required to complete nearly 140 separate data returns, as well as further returns for grants and other programmes.</p> <p>The review identified a wide variety of practices in place, and whilst staff were aware of, and met deadlines for the returns, and all were subject to some form of supervisory review, there were a number of improvements recommended.</p> <p>These included developing local procedural guidance, introducing a risk based approach to the appropriate level of control and scrutiny, restricting access to working papers and drafts of potentially high risk returns, and ensuring detailed validation and cleansing in the preparation of the return.</p>

## Cheshire East Council - Internal Audit Annual Report 2018/19

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Early Help Individual Payments Short Breaks	Review of new system as requested by Management	Limited	All actions agreed	<p><b>First reported in March 2019 update report</b></p> <p>The provision of short breaks to parent carers of disabled children was selected as a pilot for the use of preloaded cards and internal audit were asked to provide assurance as to the effectiveness of the controls in place to manage this activity.</p> <p>The review concluded that there were opportunities to improve the control environment and enhance the process to ensure that the benefits of preloaded cards are maximised for both carers and the Council.</p> <p>It also identified areas for improvement relating to the wider EHIP process that were not related to the use of cards. The service has indicated that all actions have been implemented and a follow up of high level actions is scheduled in accordance with normal procedures.</p>
Data Centre Security	Identified via Planning Process	Limited	All actions agreed	<p>An unannounced visit to the Council's Data Centre was undertaken in December 2018 to assess the security and environmental controls in operation. A number of improvements to the documentation and sharing of core disaster recovery processes were identified and are now being implemented by ICT Services.</p> <p>During the course of the review, there was an outage at the Data Centre. This was subject to separate review and response by ICT; however, the recommendations from the Internal Audit report have been included in the wider response plan.</p>

## Cheshire East Council - Internal Audit Annual Report 2018/19

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Salary Overpayments	Identified via Planning Process	Limited	All actions agreed	<p>The review identified weaknesses in relation to the timely notification of leavers, and excessively long repayment terms where overpayments are identified.</p> <p>Recommended actions have been agreed to improve the control environment and ensure the financial impact of salary overpayments is minimised.</p>
Risk Management	Identified via Planning Process	Limited	All actions agreed	<p>The purpose of the review was to assess the effectiveness of the Council's Corporate Risk Management Framework. A review of operational risk management is included within the 2019/20 plan.</p> <p>The review concluded that whilst the risk management policies have been established, they need to be reviewed and updated.</p> <p>This extends to revisiting the Council's Risk Appetite and Risk Maturity. Revised policies need to be communicated across the Council and supported by regular training and monitoring.</p> <p>Responsibility for Risk Management will be undertaken by the Head of Audit and Risk Management. Risk registers at Corporate and Operational levels have been reviewed in the business planning process.</p>
Schools Consolidated Findings Report 2018/19	Identified via Planning Process	Limited	All actions agreed	<p>The consolidated findings report highlighted inconsistent application of controls in relation to governance. This included issues such as the regular review and approval of the Manual of Internal Financial Procedures, the annual review of Governor declaration of interests and evidence of Governor inductions having taken place.</p>

## Cheshire East Council - Internal Audit Annual Report 2018/19

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Dedicated Schools Grant	Identified via Planning Process	Limited	All actions agreed	<p>The review identified issues in relation to the following:</p> <ul style="list-style-type: none"> <li>- The complexity of the coding structure in place for DSG reporting</li> <li>- The level of resource available within Children's Services and Finance to meet the requirements of the service and facilitate a review of the High Needs Formula.</li> </ul>
Adult Direct Payments	Identified via Planning Process	Limited	All actions agreed	<p>The review identified that the arrangements in place for the monitoring and review of direct payments were not sufficiently robust with regards to:</p> <ul style="list-style-type: none"> <li>- the reporting and monitoring the performance of the DP Audit Team</li> <li>- the retention of sufficient evidence to demonstrate that a review of accounts have been undertaken.</li> </ul> <p>It was also recognised that the recently updated Direct Payment Policy should be finalised and implemented as a priority.</p>
Travel Booking System	Included in response to issues arising from identified misuse of system	No Assurance	All actions agreed	<p><b>First reported in September 2018 update report</b></p> <p>The objective of the review was to provide assurance on the effectiveness of the controls in operation to prevent the unauthorised access and use of the travel booking system.</p> <p>The review identified lack of control in the authorisation of bookings, weak system access controls and a lack of monitoring of system usage.</p> <p>A new travel booking system has been in use since April 2019. The design of this system addresses the control weaknesses identified in the previous system.</p>

## Cheshire East Council - Internal Audit Annual Report 2018/19

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Land Transactions Consolidated Findings	The review of wider arrangements followed on from individual reviews of land transactions highlighted as concerns by Acting Chief Executive and Deputy Chief Executive, Director of Place.	No Assurance	All actions agreed	<p><b>First reported in March 2019 update report</b></p> <p>The detailed review of individual land transactions identified various control weaknesses within the arrangements for the acquisition and disposal of land. These weaknesses were pulled together to ensure that they were addressed in a single report which identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• Document and Data Management</li> <li>• Decision Making</li> <li>• Professional Advice</li> <li>• Policies and Procedures</li> <li>• Project Management Oversight</li> <li>• Valuations, surveys and overages</li> <li>• Timescales</li> </ul>



## Cheshire East Council - Internal Audit Annual Report 2018/19

### Assurance Work

- 4.11 In accordance with best practice Internal Audit's focus is on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 4.12 The exception to this approach is the cyclical review of the Council's key financial systems which, despite being deemed to be low risk, are subject to regular review due to the volume of transactions processed.

### Summary of reports by assurance level

Assurance Level	Audit Reports 2018/19	Audit Reports 2017/18	Audit Reports 2016/17
Good	6	8	3
Satisfactory	4	10	7
Limited	11	7	12
None	2	1	1
Total	23	26	23

- 4.13 These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within a single department or location.
- 4.14 Management has responsibility for ensuring that the agreed actions for improvement are implemented. All

actions from these audits have been agreed with management and progress on implementation will be monitored through agreed processes.

- 4.15 The issues arising from audit activity and the implementation of associated recommended actions have been considered as part of the 2018/19 Annual Governance Statement process.

### Limited and No Assurance Reports

- 4.16 A summary of the audit reports that relate to work undertaken during 2018/19 is shown above, including further detail on the limited and no assurance reports.
- 4.17 It should be noted that this is a complete list of assurance reports issued during 2018/19 and, as such, includes reports previously included in updates to the Committee.
- 4.18 In all cases a number of recommendations have been made and agreed with management. These are being progressed and when implemented will address the identified weaknesses and improve the control environment.
- 4.19 All recommendations are subject to follow up in accordance with normal Internal Audit practice and should this identify any concerns relating to the implementation of recommended actions this will be escalated.

## Cheshire East Council - Internal Audit Annual Report 2018/19

**Schools**

- 4.20 The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
  - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.21 The School's Audit Programme for 2018/19 was designed to ensure that coverage of all schools not yet audited, since the responsibility for undertaking SFVS assurance work returned to the Internal Audit team, was achieved by the end of 2018/19. Visits have now been undertaken at all remaining maintained schools.
- 4.22 The School's Audit Programme for 2018/19 continued the thematic review on the effectiveness of governance arrangements at 22 schools.
- 4.23 Individual reports are produced, and issued to the Headteacher and Chair of Governors at each school, detailing any areas of weakness identified along with any actions required to address these weaknesses and improve the control environment. Since 2017/18 we have included an assurance opinion on the arrangements, in line with other audit reports issued.

- 4.24 A consolidated report drawing together the thematic findings of the 2018/19 school audits was produced and a limited opinion given due to the inconsistent application of controls in relation to governance. This included issues such as the regular review and approval of the Manual of Internal Financial Procedures, the annual review of Governor Declaration of Interests and evidence of Governor inductions having taken place.
- 4.25 The work undertaken by Internal Audit provided assurance that the majority of controls relating to the risk areas subject to review are operating effectively. While the individual issues identified were not considered to be significant, the range and number of common issues were such that a limited assurance on the wider control environment was given. They have been reported to the relevant schools and also shared with all schools using our established network.
- 4.26 In addition to the completion of the School's Audit Programme as detailed above, Internal Audit are represented on the Schools Forum. This facilitates the early identification of risks and issues that require input or consideration for inclusion in future years audit programmes.

**Supporting Corporate Governance**

- 4.27 In accordance with the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance

## Cheshire East Council - Internal Audit Annual Report 2018/19

arrangements and publish an Annual Governance Statement (AGS).

4.28 The Statement explains how the Council makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.

4.29 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. No new areas for inclusion within the AGS have arisen from the work of Internal Audit during 2018/19.

4.30 Issues recognised in the Annual Governance Statements are monitored by the appropriate responsible officers and escalated, as necessary, to the Corporate Leadership Team, Audit and Governance Committee and/or Cabinet. Internal Audit actively supports the monitoring of actions to ensure that effective improvements and mitigating actions are implemented.

4.31 Internal Audit has assisted Management in the production of the Council's AGS for 2018/19 by:

- Coordinating assurance exercises to inform the AGS
- Co-production of the draft AGS;

- Contribution to and production of Audit & Governance Committee reports which inform the AGS
- Representation on and contribution to the Information Governance Group, in order to advise on control and governance issues in relation to information governance and data handling.

4.32 Audit and Governance Committee approved the Final Annual Governance Statement 2017/18 at their July 2018 meeting, in line with statutory deadlines. A progress update on issues recognised in the AGS 2017/18 was presented at the Committee's December meeting. This paper also outlined the proposed production process for the 2018/19 AGS.

4.33 The Final 2018/19 Statement will be considered and approved by the Audit and Governance Committee at its July 2019 meeting.

### Risk Management

4.34 During 2018/19 Internal Audit had no operational responsibility for Risk Management. This sat with the interim Executive Director of Corporate Services and the strategic arrangements were subject to a recent internal audit review.

4.35 As a result of the restructure of Corporate Services, from 2019/20 responsibility for the Council's risk management arrangements will sit with the Head of Audit and Risk Management.

## Cheshire East Council - Internal Audit Annual Report 2018/19

4.36 To maintain the independence of the Head of Audit and Risk Management, future assurance arrangements for reviewing risk management will have to be undertaken via alternative means. This could include peer reviews using other organisations. These arrangements will be updated in the Internal Audit Charter in due course.

4.37 Additional assurance with regards to the effectiveness of Risk Management is provided by regular reports to Audit and Governance Committee.

### Counter Fraud

4.38 Internal Audit has provided advice and guidance to both Human Resources colleagues and Service Managers to support them in the completion of a small number of investigations.

4.39 In addition to this support role, Internal Audit has liaised closely with the police with regards to 5 investigations undertaken during the previous financial year.

4.40 As previously reported three of those prosecutions have concluded during the year with the following outcomes:

- A former finance officer at a primary school pleaded guilty to fraud by abuse of position and was sentenced to a 12 month sentence suspended for two years, 200 hours unpaid work and a 3 month curfew.

- A former senior support worker pleaded guilty to fraud by false representation and was sentenced to 100 hours unpaid work.
- A decision was taken by the CPS not to prosecute a third former officer for fraud by false representation.
- A total of £8,601.22 has been recovered as a result of the action taken.

4.41 During the year, Internal Audit successfully coordinated the Council's participation in the 2018/19 National Fraud Initiative (NFI) exercise as well as ensuring that the appropriate services were prepared for the annual flexible matching exercise that took place during December 2018.

4.42 This involved liaising with a wide range of services across the Council and its ASDV's to ensure that data was extracted from key systems in the correct format, and securely uploaded to the Cabinet Office website within prescribed timescales. Work is now underway across the Council to ensure that identified matches are subject to investigation and the NFI website updated accordingly.

4.43 Finally, as previously reported to the Committee, detailed reviews of various historic land related transactions have been undertaken. This work continued during the year and, in order to ensure that all identified control weaknesses are addressed, a consolidated findings report was issued. A detailed

## Cheshire East Council - Internal Audit Annual Report 2018/19

follow up of this report will be undertaken during the first half of 2019 to seek assurance that current arrangements for the management of land transactions are robust and operating effectively.

### Consultancy and Advice

4.44 During the year, 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.

4.45 This year advice was given on matters such as the application of Finance and Contract Procedure Rules, suspected scams/frauds in schools and across the council, and the readiness for go live of the Business World system.

### Statutory Returns/Grant Claims

4.46 Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.

4.47 During 2018/19 this has included work on the following grants which were successfully signed off and

submitted to the appropriate central government department:

Family Focus	£175,200
Crewe Green Roundabout	£2,182,000
Sydney Road Bridge	£1,259,000
Crewe High Speed Heart Ready 2018	£480,000
CWLEP Growth Hub Grant 17-18	£287,000
<b>Total</b>	<b>£4,383,200</b>

4.48 It should be noted that the level of work required to complete the sign off of grants is not always proportionate to the value of the grant.

### Implementation of Audit Recommendations

4.49 Throughout 2018/19, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed recommendations are implemented. This work is done in a number of different ways:

- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee;
- Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management; and
- Formal assurance audits – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this

## Cheshire East Council - Internal Audit Annual Report 2018/19

is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.

- 4.50 During 2018/19, Audit and Governance Committee requested additional assurance that the actions arising from the review of Air Quality Management had been implemented by management.
- 4.51 As such, a follow up review of actions arising from both the Internal Audit review, and the external work undertaken as a result of the Internal Audit review was carried out.
- 4.52 This identified that all actions were either complete or progressing towards implementation in line with agreed timescales and a report was issued providing 'Good Assurance'.

### Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2016/17				
82%	12%	<b>94%</b>	6%	0%
2017/18				
73%	24%	<b>97%</b>	3%	0%
2018/19				
65%	31%	<b>96%</b>	4%	0%

- 4.53 It should be noted that the figures for 2016/17 and 2017/18 have been updated to take into account actions implemented in subsequent years and are therefore different to the figures previously reported.
- 4.54 These high implementation figures have been achieved as a result of significant effort by the Internal Audit team in carrying out follow ups with managers along with support from senior managers in raising the profile of audit actions.
- 4.55 In agreeing implementation dates, managers are encouraged to be realistic with regards to when actions can be completed whilst ensuring that issues are addressed in a timely manner.
- 4.56 Whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed.
- 4.57 It is therefore pleasing to report that during 2018/19 senior management have supported Internal Audit by challenging their service managers around implementation of actions.
- 4.58 The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve.



## Cheshire East Council - Internal Audit Annual Report 2018/19

**Ongoing Work**

4.59 The following audits commenced during 2018/19, with work ongoing in the first quarter of 2019/20:

Name of Audit	Status
Constitution Review	Draft Report issued
Homelessness Duty Governance	Draft Report issued
ASDV Statutory Functions	Final Report issued
Regular Car User Allowances	Final Report issued

**Reliance placed on the work of other assurance bodies**

4.60 Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.

**5 Internal Audit Performance**

5.1 The Internal Audit team performance is summarised below and is generally above target. The slight underperformance relating to chargeable time is as a result of the additional workload undertaken by the Principal Auditors in relation to corporate responsibilities. This is not classed as chargeable time as it does not result in the production of an assurance report.

Performance Indicator	2018/19 Actual	2018/19 Target	2017/18 Actual
Percentage of Audits completed to user satisfaction	96%	94%	95%
Percentage of significant recommendations agreed	99%	95%	97%
Chargeable Time (Assurance Work)	81%	85%	86%
Draft report produced promptly (per Client Satisfaction Questionnaire)	96%	95%	89%

**6 Compliance with the Public Sector Internal Audit Standards (PSIAS)**

- 6.1 Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings. This review is carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS) which were updated with effect from 1 April 2017. The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments.
- 6.2 As reported to the Committee in September 2018, the external assessment of the Internal Audit function against the Public Sector Internal Audit Standards concluded partial compliance with the Standards.

## Cheshire East Council - Internal Audit Annual Report 2018/19

- 6.3 A detailed Action Plan was agreed with the assessors as part of the review and work has continued to implement these recommended actions.
- 6.4 All actions resulting from the external assessment have either been implemented, or are scheduled for implementation following the appointment of the Head of Audit and Risk.
- 6.5 Attached as Appendix B is the report on the wider findings of the peer review process across the North West Chief Audit Executive group.

investigative resource, which has previously been reported to this Committee, is continuing as a priority.

### 7 Other Developments

- 7.1 The ongoing restructure of the Internal Audit service is progressing and an appointment to the Head of Audit and Risk Management post has recently been made.
- 7.2 The Head of Audit and Risk Management will have operational responsibility for internal audit, counter fraud, risk and business continuity, health and safety and insurance. The Internal Audit Charter will be updated to reflect the arrangements that will be put in place to maintain the independence of internal audit in relation to these functions in accordance with the PSIAS and the CIPFA guidance on the Role of the Head of Internal Audit.
- 7.3 The wider restructure of the internal audit function, including the development of counter fraud and



**PEER REVIEW OF INTERNAL AUDIT  
AGAINST THE  
UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**OVERALL SUMMARY FOR THE NORTH WEST CHIEF AUDIT  
EXECUTIVE GROUP 2016-18**

**Peer Review Sub-Group**

**Ian Corbridge**

**Jean Gleave**

**Mark Niblock**

**John Pearsall**

**Date issued: 29 January 2019**

## Peer Review of Internal Audit against the UK Public Sector Internal Audit Standards Overall Summary 2016-18

### 1. Introduction

- 1.1. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 (amended) must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2. A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3. The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self assessment with independent external validation.
- 1.4. The North West Chief Audit Executives Group (NWCAE) established a "peer-review" process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by "self-assessment with independent external validation". This approach brings the advantages of ensuring that the knowledge, experience and learning points arising from the reviews is more easily retained and shared across the constituent authorities. Whilst it requires an investment of time from Chief Internal Auditors and other senior Internal Audit staff to fulfil, the peer review approach also avoids the potential for significant fees which may arise from external assessments.
- 1.5. **This report presents the summary findings of the reviews carried out from 2016 to 2018 on 17 local authorities/ organisations which form part of the NWCAE Group and which subscribed to this peer review process (see Appendix 2). Whilst this report is issued initially to Chief Internal Auditors for all the relevant organisations, consideration should be given to sharing this further with senior management and Audit Committee members.**

### 2. Approach /Methodology

- 2.1. The NWCAE Group has a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of the peer review. The key elements of the process are:
  - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Chief Internal Auditor Annual Report and Opinion.
  - Each authority is required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement. The NWCAE Group agreed that the self-assessment will use the CIPFA Local Government Application Note (LGAN) questionnaire.
  - To support the on-site review, stakeholder questionnaires and interviews are also undertaken.
  - The review itself comprises a combination of "desktop" and "actual on-site" review.

- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the “desktop” period to determine the strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely, and adds real value. Each authority will be assessed against the three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution; together with a view on the Impact that the Internal Audit service has within the organisation.
- Upon conclusion, the review team offers a “true and fair” judgement and each Authority is appraised as **Conforms**, **Partially Conforms**, or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the three themed scores gives an overall Authority score.

### 3. Summary Findings

- 3.1. The Peer Review teams concluded the following judgements for the 17 organisations subject to evaluation:

Judgement	Number of local authorities/ organisations
Conforms	14
Partially conforms	3
Does not conform	0

- 3.2. An overall summary of the assessments against the individual elements of each area of focus is included in the table at Appendix 1. An outline of some of the common themes and findings is set out within section 4 below.

### 4. Common Themes and Findings

#### Positive Feedback

- 4.1. Some common themes amongst the many positive outcomes arising from the peer reviews include the following:
- Very good feedback and professional respect for the Internal Audit service and the Chief Internal Auditor role which add significant value to the organisation;
  - The Internal Audit service has a high profile within the organisation;
  - Staff surveys have provided positive feedback on the Internal Audit service;
  - Internal Audit maintains an effective relationship with the audit committee;
  - Audit plans and the planning process in general is comprehensive and risk focused;
  - The levels of supervision and review of audit assignments is generally adequate and effective;
  - Client feedback is requested and evidenced at the end of audit assignments;
  - Strong relationships are maintained between Internal and external audit;
  - The Quality Assurance and Improvement Programme is generally professional and effective; and
  - There has been a lot of positive feedback about the peer review process from both Members and management within the respective organisations.

## Areas of Improvement

- 4.2. Some common areas requiring improvement highlighted by the peer reviews are set out below, analysed to align with the three core theme areas for which a summary of outcomes is set out in Appendix 1.

## Purpose and Positioning

(Remit, Reporting lines, Independence, Risk based plan, Other assurance providers)

- 4.3. Key outcomes included ensuring:

- The Audit Charter is up to date, approved and fully aligned with the PSIAS, including clear definitions of roles and responsibilities for key roles;
- Audit staff have full awareness and formal sign off of the Code of Ethics together with annual declarations of interest;
- Feedback is sought from the Chair of Audit Committee and/ or Chief Executive to inform the annual appraisal of the Chief Internal Auditor;
- The Strategic or Annual Audit Plan is linked with the organisation's core objectives and risks, particularly the Corporate Risk Register, and risk priorities are applied to assignments within the Audit Plan;
- Clarity over the nature of any significant consulting and assurance services provided by Internal Audit is included within the Audit Plan;
- The Audit Plan accounts for all the available resource within the Internal Audit team (including the Chief Internal Auditor) and includes such as consultancy reviews and services, corporate governance and risk work, attendance at Committees, and counter fraud activity, thereby ensuring that audit committee have proper oversight of the work performed;
- Assurance mapping is fully developed to capture the outcomes from all other assurances, both internal and external, including external audit, external inspectorates and other agencies, consultants and peer reviews, all of which will inform the annual audit opinion, more especially when reliance is placed on other work;
- The nature and scope of any operational responsibilities of the Chief Internal Auditor are clarified, together with confirmation as to how independent assurance will be gained over such areas, e.g. through the use of external peer reviews; and
- An engagement plan/ terms of reference are agreed at the start of all audit assignments to confirm the scope, focus and timing of each piece of work and how it links in with corporate or service based objectives.

## Structure and Resources

(Competencies, Technical training and development, Resourcing, Performance management, Knowledge management)

- 4.4. Key outcomes included ensuring:

- The Quality Assurance and Improvement Programme (QAIP) should be formalised and subject to regular reviews and updates to both senior management and Members, together with supporting evidence where appropriate;
- The QAIP includes performance evaluations by the Chair of Audit Committee, Chief Executive and Corporate Directors as considered appropriate;
- Performance monitoring arrangements include evidence of supervisory review and post audit assignment evaluations to feed into the staff appraisal process;

- Job descriptions and person specifications are up to date, reflecting current roles and responsibilities, and are supported by competency matrices at each level, underpinning regular staff performance reviews;
- Training is formally logged to support staff development and Continuing Professional Development requirements where appropriate; and
- Appropriate resources are directed towards fraud prevention and detection, also ensuring Members are kept up to date with progress and outcomes.

### Audit Execution

(Quality Assurance and Improvement Programme, Management of the Internal Audit function, Engagement planning/ delivery, Reporting/ Overall opinion)

#### 4.5. Key outcomes included ensuring:

- Timescales from commencement of assignments to final reporting are minimised wherever possible to enhance efficiency;
- Updates are provided to Members on agreed actions that remain outstanding beyond agreed dates;
- Use of interrogation software is optimised to enhance overall levels of assurance;
- Working papers are clear and cross-referenced to provide evidence in support of audit conclusions;
- Quarterly progress reports are produced for Members and senior management to increase visibility and organisational understanding of the Internal Audit function, and also to allow any changes to the Audit Plan to be approved;
- The Annual Internal Audit Report includes sufficient detail to support the overall audit opinion including:
  - Consideration of the impact of audit outcomes on strategic risks;
  - The materiality or organisational impact of audit findings;
  - Outcomes from investigative or irregularity related work and any associated control weaknesses identified;
  - Outcomes from other assurance providers or external assessments;
  - Details of reviews associated with governance and risk management arrangements; and
  - Confirmation of the independence of Internal Audit;
- A clear link is conveyed between any significant audit outcomes and the Annual Governance Statement;
- Summary reports are produced at the conclusion of each investigation;
- Consideration is always given to the practicality and commerciality of audit recommendations; and
- A clear and consistent report distribution protocol is established for both draft and final reports.

## Summary of outcomes for the core themes

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
Purpose and positioning		Number of organisations			
1000	• Remit	14	3		
1000	• Reporting lines	12	5		
1110	• Independence	8	9		
2010	• Risk based plan	9	7	1	
2050	• Other assurance providers	5	12		
Structure & resources					
1210	• Competencies	14	3		
1230	• Technical training and development	14	3		
1230	• Resourcing	14	3		
1230	• Performance management	12	4	1	
1230	• Knowledge management	16		1	
Audit execution					
1300	• Quality Assurance and Improvement Programme	13	3	1	
2000	• Management of the Internal Audit function	14	3		
2200	• Engagement planning	14	3		
2300	• Engagement delivery	15	2		
2400	• Reporting	17			
2450	• Overall opinion	8	9		

**Authorities/ organisations participating in the peer review process 2016-18**

Blackburn with Darwen BC  
Blackpool BC  
Bolton BC  
Bury MBC  
Cheshire East BC  
Cheshire West & Chester BC  
Halton BC  
Knowsley MBC  
Merseytravel  
Rochdale BC  
Salford City Council  
St Helens MBC  
Stockport MBC  
Tameside MBC  
Warrington BC  
Wigan MBC  
Wirral MBC

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*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Annual Risk Management Report 2018/19

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. This report provides the Audit and Governance Committee with an overview on the Council's risk management arrangements during 2018/19 and the planned work programme for 2019/20.
- 1.2. The Council's risk management framework should provide a structured, consistent and continuous process for identifying, assessing, and responding to threats and opportunities that affect the achievement of the Council's corporate objectives.

### **2. Recommendation**

- 2.1. That the Annual Risk Management report 2018/19 be considered and noted by the Committee.

### **3. Reasons for Recommendation**

- 3.1. Risk management is central to facilitating good governance and the achievement of corporate objectives. As a publically accountable body, the Council must demonstrate effective identification and management of the risks which threaten the achievement of its corporate objectives, the effectiveness of its operations, and reliable financial reporting.
- 3.2. The Audit and Governance Committee has responsibility for monitoring the effective development and delivery of the risk management framework in the Council.

### **4. Other Options Considered**

- 4.1. Not applicable.

## 5. Background

- 5.1. The purpose of this report is to provide the Audit and Governance Committee with an overview of the Council's Risk Management arrangements during 2018/19. This supports the Committee in their role in monitoring the development and operation of Risk Management in the Council.
- 5.2. The Council's Risk Management Framework is underpinned by three key 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

### *The Risk Management Framework in operation*

- 5.3. Operational risks have been managed and monitored via risk registers within Team Plans and Directorates. Monthly highlight reports, identifying key risks and risk management actions have been prepared for programmes and projects and monitored via programme and project board meetings. Individual risk assessment sections have been included on business cases and included in decision making reports to Committees and Cabinet.
- 5.4. During the year, the Corporate Leadership Team (CLT) has considered and discussed the Council's key corporate risks to ensure they have been assessed consistently across the Council and to monitor the implementation of actions to treat the risk to acceptable levels. Risks have been added to and removed from the corporate risk register during the year; these have been reported to the Audit and Governance Committee in risk management update reports.
- 5.5. Responsibility for risk management was undertaken by the Interim Executive Director of Corporate Services between the previous post holder leaving in February 2019 and the recent appointments of the Corporate Business Manager and Head of Audit and Risk Management.
- 5.6. These appointments see the responsibility for the development and delivery of the risk management framework sit within the Audit and Risk service. To maintain the independence of the Head of Audit and Risk Management, future assurance arrangements for reviewing risk management will have to

be undertaken via alternative means. This could include peer reviews using other organisations. These arrangements will be updated in the Internal Audit Charter in due course.

*Changes to the Risk Management Framework*

- 5.7. In May 2018 the Committee received an updated Risk Management Policy Statement, including a Risk Appetite Statement, which had been produced following a review of the council's risk appetite. This was recommended for by the Committee to Cabinet and was adopted at their July 2018 meeting.
- 5.8. The Audit and Governance Committee received two further risk management updates during 2018/19, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of corporate risks.
- 5.9. The Chief Executive and CLT are responsible for promoting and supporting compliance with the Corporate Risk Management Policy and for managing the corporate risk register. In recognition of this role, CLT has introduced a quarterly risk management review, where risk registers are considered alongside other performance scorecard information.
- 5.10. Changes to the Corporate Risk Register are made following review by CLT and individual risk owners. The tables below outline the changes to the Corporate Risk Register during 2018/19. A summary of the current risk register is appended to the report along with the risk scoring methodology. (Appendices A and B)

**Table 1: Corporate Risks Removed from the Register during 2018/2019**

Ref & Type	Risk	Rating & Direction	Comments
CR4 Threat	Contract and Relationship Management	12 High ↔	Risk being managed at a Directorate level.
CR6 Threat	Countering Fraud and Corruption	6 Medium ↔	Controls have improved and being managed at a service level.
CR9 Threat	Increased Major Incidents	6 Medium ↔	The risk is being managed at a service level.

Ref & Type	Risk	Rating & Direction	Comments
CR11 Threat	Employee Engagement and Retention	<b>6</b> <b>Medium</b> ↔	The risk is being managed at a programme level.
CR12 Threat	Adult Social Care Market Strain	<b>12</b> <b>High</b> ↑	This is risk being managed at a directorate level.
CRO 2 Opp'ty	Devolution	<b>3</b> <b>Low</b> ↔	This opportunity risk is being managed at a Directorate level.
CRO3 Opp'ty	Partnership Working	<b>9</b> <b>Medium</b> ↑	Working well and removed as Business as Usual.
CRO4 Opp'ty	Infrastructure and Regeneration Funding	<b>9</b> <b>Medium</b> ↔	Removed as Business as usual.

**Table 2: New Corporate Risks added to the Register during 2018/2019**

Ref & Type	Risk Description	Rating & Direction	Comments
CR8 Threat	Decision making	<b>12</b> <b>High</b> ↔	Work commenced on the refresh of the Council's Constitution.
CR9 Threat	Capital Projects	<b>8</b> <b>Medium</b> ↔	Changes in the management of major capital programmes are being implemented.
CR11 Threat	Local changes in NHS arrangements	<b>9</b> <b>Medium</b> ↔	Shift in demand and costs to the council.

*Review of the Risk Management Framework*

- 5.11. A review of the Council's Corporate Risk Management Arrangements was undertaken by Internal Audit during 2018/19. The purpose of the review was to assess the effectiveness of the Council's Corporate Risk Management Framework. A review of operational risk management is included in the 2019/20 plan.
- 5.12. The review concluded that whilst risk management policies have been established, they need to be reviewed and updated. This extends to revisiting the Council's Risk Appetite and Risk Maturity. Revised policies need to be communicated across the Council and supported by regular training and monitoring.
- 5.13. As previously acknowledged, responsibility for Risk Management will now be undertaken by the Head of Audit and Risk Management.

*Business Continuity*

- 5.14. In June 2018 the authority undertook an awareness raising campaign by undertaking a Cyber Attack Awareness Exercise with colleagues from across various areas of the Council.
- 5.15. The awareness session included a short briefing by ICT Shared Service as to the cyber risks faced by Cheshire East Council. The exercise was discussion based using a relevant scenario of the Council's ICT systems and network being attacked and switched off. The training was well received.
- 5.16. Business continuity implementation has moved forward during 2018/19 including the purchase of a business continuity tool which provides a database of all business continuity plans in place across the council to ensure service delivery continues, disruption is minimised and improves overall resilience. Further progress in this area was facilitated by the funding received by the Council from the Ministry of Housing, Communities and Local Government (MHCLG) in preparation for leaving the European Union.

*Risk Management - Corporate Insurance*

- 5.17. During the year the Corporate Insurance Team received support from the Council's insurers on reviewing risk management arrangements in relation to Motor Fleet Management, Managing Building Risk and Tree Risk Management. The aim of the reports, whilst providing a useful communication tool between the insurance team and the services themselves, was to provide a focus for service managers to address any improvements that may be evident in their processes and procedures.

- 5.18. The improvements in risk assessment and awareness should contribute to a reduction in the volume of successful claims made against the authority, thereby improving the financial position of the Council.

*Risk Management – Health and Safety*

- 5.19. Health and Safety matters are regularly reported to the Council's Staffing Committee. The Health and Safety Team have delivered a number of training courses to Council staff over the last year including Leading and Managing Safely courses; these courses all help to improve risk assessment and awareness.

*2019/20 Work Plan*

- 5.20. Priority will be given to the implementation of actions identified in the internal audit report to ensure that the risk management framework is refreshed. This includes training for officers and members, review of risk management documentation, and the review of risk scoring. Support will also be given to ensure the regular review of risk and to facilitate risk management workshops to support the business planning process.
- 5.21. Delivering the implementation of the business continuity tool, with associated training and testing will also be a key focus of the 2019/20 work programme.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. Risk management can relate to legal aspects of the council's business, however, the content of this report does not have any specific legal implications. Legal risks to the organisation are incorporated in the Service plans risk registers. 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.

### **6.2. Finance Implications**

- 6.2.1. There are no financial implications in relation to this report. Costs relating to implementing risk treatment plans are considered on a case by case basis and either met from existing departmental budgets.
- 6.2.2. 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.

6.2.3. The Council and its public sector partners are confronted with growing demand in particular in health and social care needs, this is in combination with severe resource constraints. There is considerable interest in the potential of innovation in service delivery and partnership working to help address such challenges and this may require an increased risk appetite which in turn may lead to increased financial risk.

### **6.3. Policy Implications**

6.3.1. Risk management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

### **6.4. Equality Implications**

6.4.1. There are risks that have Equality & Diversity implications and these are identified in our risk registers.

### **6.5. Human Resources Implications**

6.5.1. Human resource implications in relation to this report include:-

- the need for training on risk management and business continuity to improve skills and knowledge for staff to fulfil their responsibilities.
- the need for managers to lead through a combination of positive attitude and behaviours towards risk management and business continuity.

### **6.6. Risk Management Implications**

6.6.1. 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.

### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

### **6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Access to Information**

7.1. Risk Management Update Report to Audit and Governance Committee – July 2018

7.2. Risk Management Update Report to Audit and Governance Committee – September 2018

**8. Contact Information**

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

Name: Sophie Thorley

Job Title: Corporate Services Business Manager

Email: [sophie.thorley@cheshireeast.gov.uk](mailto:sophie.thorley@cheshireeast.gov.uk)




# Appendix A: Extract from the Corporate Risk Register: May 2019


Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
CR1 Threat	<p><b>Increased Demand for People Services:</b> (Cause) Risk - that Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and increased demand for adults and children's social care services, (threat) resulting in the capacity of the Council's systems relevant to these areas are unable to continue to respond/ absorb the pressures presented, (impact) resulting in a possible lack of continuity of social workers/ increased market failure pertaining to a range of service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's desired outcomes - that people live well and for longer, and have the life skills and education they need to thrive.</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 significantly increasing alongside overall population growth, and longer life expectancy for both adults and children with more complex presenting needs.</p> <p>Links to CR2 - if demand shifts to the Council as a result of National Health Service (NHS) and Health and Care Partnership Plan risks and also CR3 in relation to financial resilience as demand continues to increase. This may also have an increased impact on CR4 - contract management - given varied demand continues to increase linked to the quality of the market, number of providers, national policy expectations etc.</p> <p>May 2019: 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.</p>	Acting Executive Director of People	<p>Portfolio Holder, Adult Social Care and Health</p> <p>Portfolio Holder, Children and Families</p>	<p><b>12</b></p> <p>↕</p>	No change

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## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
		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. The net score remains at 12 high risk.				
CR2 Threat	<b>NHS Funding and Health and Care Partnership Plan</b> (Cause) Risk that due to the increasing financial deficit in the NHS, the five-year Health and Care Partnership Plan 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	There are significant financial issues to be addressed and if this results in a shift in costs and demand to the Council this will further exacerbate corporate risks 1 (Increased Demand for People Services) and 3 (Financial Resilience). May 2019: Work across a number of work-streams at STP (Cheshire and Merseyside) and Cheshire East level are progressing. To date these have not made any significant impact on the deficit faced within the health commissioning and provider organisations. However their financial position is stabilised and appears not to be worsening. The net risk score remains at 16 because there has not yet been a reduction in the anticipated	Acting Executive Director of People	Portfolio Holder, Adult Social Care and Health	<b>16</b> 	No change


## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	communities being strong and supportive.	deficit position.				
CR3 Threat	<b>Financial Resilience</b> (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 in a sustainable way. (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.	This risk will be further exacerbated if corporate risks 1 – Increased Demand for People Services and corporate risk 2 NHS Funding and Health and Care Partnership Plan. This risk could be further impacted by CR7 is this has an impact on local growth or economic wellbeing which undermines investments of growth assumptions in the local tax bases. May 2019: 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.	Interim Executive Director of Corporate Services	Portfolio Holder, Finance, IT and Communications	<b>12</b> 	No change


# Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
CR4 Threat	<b>Information Security and Cyber Threat</b> (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.	This risk has interdependencies with corporate risk CR5 Business Continuity. It also has links to the Financial Resilience risk as funds for maintenance and replacement will be stretched placing additional strain on assets and resilience of information security controls. May 2019: 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. The more the Council is aware of information, its importance and its value; it is increasingly likely that the number of Information Breaches will	Interim Executive Director of Corporate Services	Portfolio Holder Finance, IT and Communications	<b>12</b> 	No change



## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
		increase. 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.				
CR5 Threat	<b>Business Continuity</b> 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 the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.	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 the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period. This risk has interdependencies with CR4, Information Security and Cyber Threat. May 2019: The net risk rating is 6 medium. Whilst the majority of incidents are	Interim Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	6 	




# Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
		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.				
CR6 Threat	<b>Capacity and Demand Risk – Corporate Enablers</b> Risk that reducing and reduced staff resource alongside increasing demand and additional unplanned work results in key resources being overstretched and having insufficient capacity to deliver all business plan requirements, 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 to the Council's ability to deliver all of its intended objectives and outcomes.	Sept 18: 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 support this with links to corporate risk 11. 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.	Interim Executive Director of Corporate Service	Portfolio Holder, Public Health and Corporate	<b>12</b> 	No change
CR7 Threat	<b>EU Exit, Single Market and Local Growth</b>	The UK Government have confirmed that negotiations on the UK's exit from	Executive Director of	Portfolio Holder,	<b>6</b>	No change

## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	Failure to be adequately prepared for the Exit from the EU particularly in relation to the potential impacts on Consumer Protection, Food Safety, Waste Operations Highways, Traffic Management and the business community.	the EU will commence by the end of March 2017. As of January 2017 it is clear that it is the UK Government's intention to leave the EU Single Market as a result of Brexit. The UK Government have confirmed that EU structural funds (the ESIF programme) will be maintained until the end of the current parliament (2020) (check could be whole life of programme now 2023) May 2019: CEMART has been stood down in line with the national battle rhythm following the extension to 31 October agreed by the EU. It will be stood up again if / when national preparations re-start.	Place	Environment and Regeneration		
CR8 Threat	<b>Decision Making</b> Risk that the Council's Constitution is insufficiently detailed and/or contains inaccurate or ambiguous information leading to ineffective and inefficient decision making processes resulting in a failure to ensure value for money and non compliance with best practice and	Significant work has already been completed to refresh the Council's Constitution.	Interim Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	<b>12</b> 	Reducing

## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	statutory responsibilities.					
CR9 Threat	<b>Capital Projects</b> Risk that the Council's major capital projects are insufficiently managed to ensure that they are delivered on time, on budget and at the required quality level	Early discussions are underway regarding the resourcing and project management of capital schemes. Currently this is divided between Programme Management and Change and the Place Directorate.	Executive Director of Place	Portfolio Holder, Finance IT and Communications	8 	No change
CR10 Opp	<b>Infrastructure Investment</b> Securing the required investment to support our major infrastructure and development priorities particularly in relation to HS2 and delivery of the Crewe Hub	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 project to support key development projects in Crewe and Macclesfield. This risk requires ongoing work and monitoring to ensure that the opportunities come to fruition	Executive Director of Place	Portfolio Holder, Environment and Regeneration	8 	No change
CR11 Threat	<b>Local Changes in NHS arrangements</b> (Cause) Risk that due to the merging of the existing CCGs into one and the increasing financial deficit in the NHS it may cause a reduction in Cheshire East	There are significant financial issues to be addressed and if this result in a shift in costs and demand to the Council this will further exacerbate corporate risks 1 and 3 – Increased Demand for People Services and also Financial Resilience.	Acting Strategic Director of Adult Social Care	Portfolio Holder, Public Health and Corporate  Portfolio Holder, Adult	9 	No change



## Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	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.			Social Care and Health		

## Appendix B: Scoring Methodolgy

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
	Factor	Score	Effect on Corporate Objectives		Factor	Score	Description	Indicator
Opportunities	Exceptional	4	Result in major increase in ability to achieve one or more strategic objectives	Opportunities	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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## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Annual Report of the Audit and Governance Committee 2018/19

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to consider the draft version of the Audit and Governance Committee's Annual Report 2018/19 and agree the final version of the report that will go to Council on 17<sup>th</sup> October 2019.
- 1.2. Producing an annual report on the work of the Committee ensures compliance with best practice requirements and provides assurance to wider stakeholders on the continuing improvements of the Council's governance arrangements.

### **2. Recommendation**

- 2.1. That the Committee considers the draft report for 2018/19 at Appendix A and agrees the final version which will be presented to Council later this year.

### **3. Reasons for Recommendation**

- 3.1. To report in line with the requirements of the Council's Constitution and the Audit and Governance Committee's Terms of Reference, which require a report to full Council on a regular basis.
- 3.2. The report should cover the performance of the Committee in relation to its Terms of Reference, and the effectiveness of the Committee in meeting its purpose.

### **4. Other Options Considered**

- 4.1. Not applicable.

## 5. Background

- 5.1. Current CIPFA guidance, *Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition* states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Aspects to consider include:
- whether the committee has fulfilled its agreed terms of reference
  - whether the committee has adopted recommended practice
  - whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
  - whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
  - what impact the committee has on the improvement of governance, risk and control within the authority.
- 5.2. The requirement to submit an annual report is recommended by the CIPFA guidance and included within Cheshire East Council's Constitution.
- 5.3. Following the release of the updated CIPFA guidance in 2018, an exercise was undertaken to review and update the Committee's terms of reference. Council agreed the Committee's updated Terms of Reference in December 2018.

## 6. Implications of the Recommendations

### 6.1. Legal Implications

- 6.1.1. The Council's Constitution gives responsibility to the Audit and Governance Committee for overseeing the Council's roles and responsibilities in respect of Corporate Governance and Audit and specifically for submitting an annual report to Council. Production of the report ensures compliance with this requirement.

### 6.2. Finance Implications

- 6.2.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on the adequacy of the Council's governance arrangements, including the integrity of financial reporting processes.

**6.3. Policy Implications**

6.3.1. The production of the annual report and its presentation to Council ensures compliance with the CIPFA best practice guidance.

**6.4. Equality Implications**

6.4.1. There are no equality implications for this report.

**6.5. Human Resources Implications**

6.5.1. There are no direct human resource implications for this report.

**6.6. Risk Management Implications**

6.6.1. The annual report of the Audit and Governance Committee outlines the assurances received by the Committee on various aspects of the Council's governance arrangements, including the adequacy of the risk management framework.

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for Climate Change.

**7. Ward Members Affected**

7.1. The work of the Audit and Governance Committee is not restricted geographically therefore all ward members are affected.

**8. Access to Information**

8.1. The draft annual report of the Audit and Governance Committee 2017/18 is attached as Appendix A to this report.

**9. Contact Information**

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

Name: Michael Todd

Job Title: Principal Auditor

Email: Michael.todd@cheshireeast.gov.uk

# Annual Report of the Audit and Governance Committee 2018/19

**DRAFT**  
(May 2018- April 2019)

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## Foreword by the Chair of the Audit and Governance Committee

As Chair of the Audit and Governance Committee following elections in May 2019, I have the honour of presenting this detailed report on the work of the Committee over the period of the 2018/19 municipal year.

The report sets out the broad range of work which has been considered over the year to support the Committee in fulfilling its Terms of Reference and is reported to full Council to provide assurance on the effectiveness of the Committee in meeting its purpose. I hope that this report helps to demonstrate the key role which is undertaken by the Audit and Governance Committee and the positive contribution it makes to the Council's overall governance.

The Committee's Terms of Reference were reviewed against the new CIPFA guidance and a number of changes were recommended by the Committee to Council. These were approved and adopted following Council in December 2018.

Membership of the Audit and Governance Committee has changed significantly following the elections in May 2019 and I would like to thank the former Chair, Vice Chair and Committee members for the hard work and constructive challenge they have provided during their time on the Committee.

I would also like to thank all those who have contributed and attended the Committee meetings over the last year, supporting the Committee's work with varied reports and presentations, which are the culmination of much more preparation and work undertaken 'behind the scenes'.

I look forward to future meetings of the Committee, and working with the Committee members and the officers who support the Committee to ensure that we continue to provide independent assurance on the Council's control environment and the governance framework.



*Councillor Rod Fletcher*

Chair of the Audit and Governance Committee  
July 2019

## **1. Introduction to the Audit and Governance Committee**

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

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

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

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

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

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

## **2. Audit and Governance Committee - Statement of Purpose**

- The Audit and Governance Committee is a key component of the Council’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- It provides independent review of the Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- It promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for

Members of the Council (including co-opted Members and other persons acting in a similar capacity).

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

Meetings of the Audit & Governance Committee were held on the following dates in the 2018/19 municipal year:

- 31st May 2018
- 31st July 2018
- 27th September 2018
- 6th December 2018
- 14th March 2019

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

### 3. Governance, Risk and Control within Cheshire East Council

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

#### Internal Audit

Meeting	Reports received
31 May 2018	Internal Audit Annual Report 2017/18
31 July 2018	Update on Internal Audit Procurement Review
	Internal Audit Procurement Review
27 September 2018	Internal Audit 2018/19 Plan Progress Update
	Outcome of the External Assessment of Internal Audit and Compliance with the Public Sector Internal Audit Standards
14 March 2019	Internal Audit Interim Report 2018/19
	Internal Audit Plan 2019/20

**External Audit**

<b>Meeting:</b>	<b>Reports received:</b>
31 May 2018	External Audit Progress and Update report
31 July 2018	External Audit Findings & Action Plan 2017/18
27 September 2018	Annual Audit Letter 2017/18
6 December 2018	External Audit Plan 2018/19
14 March 2019	External Audit Plan 2018/19 Update
	Certification Report 2017/18

**Risk Management**

<b>Meeting:</b>	<b>Reports received:</b>
31 May 2018	Annual Risk Management Update
31 July 2018	Risk Management Update Report
27 September 2018	Risk Management Update Report

**Corporate Governance & Annual Governance Statement (AGS)**

<b>Meeting:</b>	<b>Reports received:</b>
31 May 2018	Draft Annual Governance Statement 2017/18
	Compliance with the Freedom of Information Act (2000), Environmental Information Regulations (2004) and the Data Protection Act 1998
	Compliance with the Regulation of Investigatory Powers Act 2000
	Customer Feedback - Complaints, Compliments and Referrals to the Local Government Ombudsman 2017/18
31 July 2018	Annual Governance Statement 2017/18
6 December 2018	Annual Governance Statement and Code of Corporate Governance Review

**Accounts, Financial Statements & Treasury Management**

<b>Meeting:</b>	<b>Reports received:</b>
31 May 2018	Draft Pre-Audit Statement of Accounts 2017/18
31 July 2018	Annual Statement of Accounts 2017/18
28 September 2018	Treasury Management Annual Report 2017/18
6 December 2018	Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2019/20

**Information Governance**

<b>Meeting:</b>	<b>Reports received:</b>
31 May 2018	Information Governance Update
31 July 2018	Update on the Council's readiness for GDPR

Significant assurances the Committee has received during the year include:

- **2017/18 Internal Audit opinion:**  
This was presented to the 31 May 2018 meeting.
- **2017/18 Financial Statements Opinion (External Audit):**  
This was presented to the 31 July 2018 meeting.
- **2017/18 Value for Money (VFM) Conclusion (External Audit):**  
This was presented to the 27 September 2018 meeting.

**4. Effectiveness of the Committee**

The Committee regularly undertakes a formal review of its own effectiveness. The 2017/18 self-assessment was carried out with the Chair and Vice Chair against the CIPFA guidance, Audit Committees – Practical Guidance for Local Authorities and Police 2013 and the results reported to the Committee in May 2018.

The Committee self-assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented. In receiving the report in May 2018, the Committee noted the self-assessment and agreed that a further report on the progress of the actions be considered at a future meeting of the Committee.

The Committee's 2018/19 Work Plan was developed in line with the Committee's Terms of Reference to ensure that the Committee continued to work effectively and fulfil its purpose.

CIPFA released updated guidance for Audit Committees: "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition" in March 2018. The Committee's Terms of Reference was reviewed against the guidance, updated where necessary and put to the Committee in September 2018 for consideration. Following this, the amended Terms of Reference were put to the Constitution Committee (November 2018) and approved by Council on 13 December 2018.

A self assessment of the Committee's effectiveness against the updated guidance will be undertaken and reported on as part of the 2019/20 work programme.

## **5. Additional Assurance**

It was agreed at the Committee's December 2015 meeting that future annual reports of the Committee be expanded to include greater details on any areas of work requested to provide additional assurance to the Committee along with an explanation as to how this added value to the work of the Committee.

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

### **Ombudsman complaints and lessons learnt**

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

During 2018/19, the reports have also been supported by the attendance of senior managers from the services involved to provide assurance to the Committee that lessons have been learned from the issues and actions implemented.

Furthermore, the Committee also received a report at their September 2018 meeting detailing the referrals to the Local Government and Social Care Ombudsman for 2017/18.

### **Procurement Review**

In July 2018, the Committee considered a report on an Internal Audit review of Procurement, which superseded a review initially commenced during 2015 which was paused as a result of a police investigation into the award of contracts. The audit report detailed the three risks identified for the review, Internal Audit's findings and the management response to the findings in relation to the third risk. The Committee received assurance that actions were being implemented/had been implemented to address the findings of the report.

In receiving the updates, the Committee is complying with its Terms of Reference in considering reports on the effectiveness of internal controls and requesting summaries of specific internal audit reports.

### **Reporting of all WARNS's (Waiver and Record of Non-adherence)**

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

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

The Committee has noted that the number of waivers and non-adherences being reported has significantly and consistently reduced since the reports were first presented. This provides assurance to the Committee on the positive impact of the changes to the Council's procurement management.

### **Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards (PSIAS)**

In September 2017, the Committee received an update report on the Independent Public Sector Internal Audit Standards external assessment which subsequently took place in January 2018. The findings of the assessment were shared with the Committee in September 2018. The overall judgement of the assessors was that the service was "Partially Compliant" with the Public Sector Internal Audit Standards. An action plan has been developed to address the areas of partial and non-compliance and the Committee has received updates on the implementation of actions through the Internal Audit update reports.

### **Best4Business Project**

In July 2018, the Committee received a presentation on the governance arrangements for the Best4Business project. This provided the Committee with clarity on the governance arrangements in place at the time for this

project which is being undertaken jointly with Cheshire West and Cheshire Council.

### **Member's Code of Conduct**

The Committee received update reports in September 2018 and March 2019 relating to the Member's Code of Conduct. The reports detailed the number of complaints made against Cheshire East Councillors and Town and Parish Councillors; the paragraph of the Code alleged to have been breached and the outcome of each complaint, where completed. This information is provided to support the Committee's role in monitoring and maintaining high ethical standards within the authority.

### **Mandatory Declarations of Interest**

In December 2018, the Committee considered a report on whether or not any outside organisation should be considered as being organisations which, by virtue of solely being members of the same, Councillors must declare and/or register an interest in under the Council's Code of Conduct.

The Committee noted that there were adequate provisions in the Member Code of Conduct to appropriately deal with conflicts of interest that may arise in decision making. Also, the Committee declined to particularise any outside organisation in the Code of Conduct.

## **6. Members of the Committee**

Members of the Committee during the 2018/19 municipal year are set out in **Appendix 2**.

Following the local elections in May 2019 wholesale changes were made to the Committee membership. Whilst this does not impact upon the work undertaken during 2018/19 details of the new Committee membership have also been provided for reference.

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

The Committee has routinely been attended by the Interim Executive Director of Corporate Services, Acting Chief Executive, Acting Director of Legal Services & Interim Monitoring Officer, the Head of Finance and Performance (Acting Section 151 Officer) and the Executive Director of Place.



The Corporate Manager - Governance & Audit left the Authority in February 2017 and, as such, the Principal Auditors continued their acting up arrangements to provide support and guidance to the Committee as would be provided by the Head of Internal Audit role.

## **7. Statutory Requirements, New Guidance and Recommended Practice**

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

It has also ensured that it is up to date in adopting new guidance and/or recommended practice. As referenced in Section 4 of this report, the Committee's terms of reference was reviewed against the recently released CIPFA guidance "*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*" and subsequently updated to ensure compliance with best practice. Committee members were provided with a copy of the guidance for reference purposes.

## **8. Training and Development**

The following training was carried out during the 2018/19 year:

- Induction for new and deputising Members of the Committee
- Annual Governance Statement & Role of the Audit Committee
- Risk Management
- Approving the Financial Statements

In addition, Members have access to copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit & Governance Committee Members.

The training and development programme for Members of the Committee is informed by an annual skills assessment exercise. This was deferred until after the local elections in May 2019 to ensure that it captured membership of the Committee going forward into 2019/20.

## **9. Work programme for 2019/20**

The Committee has an agreed work programme for 2019/20, which includes the annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular

reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas.

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

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

### How the Audit and Governance Committee's Terms of Reference were met during 2018/19:







Terms of Reference of Committee	Relevant activity in 2018/19
<b>Annual Report</b>	
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.	The July 2018 Committee meeting reviewed the 2017/18 annual report, this was subsequently received and noted by Council in October 2018.
<b>Governance, Risk and Control</b>	
To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.	The Committee received an Annual Governance Statement progress report in December 2018
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.	The Committee received the Draft Annual Governance Statement in May 2018 and approved the final 2017/18 Annual Governance Statement (AGS) in July 2018.  In addition, an update report was received in December 2018.
To monitor the effective development and operation of risk management in the council.	The Committee received update reports on Risk Management in May 2018, July 2018, and September 2018.
To monitor progress in addressing risk related issues reported to the committee and 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.	The Committee monitors Anti-Fraud and Corruption arrangements through regular updates on activity provided as part of the regular Internal Audit update reports.
To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.	The Treasury Management 2017/18 Annual Report was received in September 2018.  The 2018/19 Draft Treasury Management Strategy and Minimum Revenue Position (MRP) Statement was reviewed at the






Terms of Reference of Committee	Relevant activity in 2018/19
	December 2018 meeting.
<b>Internal Audit</b>	
To approve the internal audit charter.	An updated Internal Audit Charter was approved at the December 2018 Committee meeting.
To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	<p>The Committee approved the 2018/19 Internal Audit Plan in March 2018. The Committee monitored progress against the plan in September 2018 and March 2019.</p> <p>The 2019/20 Internal Audit Plan was approved at the March 2019 Committee.</p>
To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions. To consider summaries of specific internal audit reports as requested.	<p>Internal Audit interim reports against the 2018/19 plan were received in September 2018 and March 2019.</p> <p>Internal Audit interim reports include a summary of Internal Audit work completed and the significant issues arising from individual assignments.</p>
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.	<p>The Committee is updated in the Head of Internal Audit annual opinion report on the progress made on assessment criteria required to comply with the Public Sector Internal Audit Standards.</p> <p>The Committee received a report on the outcome of the External Assessment of Internal Audit and Compliance with the Public Sector Internal Audit Standards in September 2018.</p>
To consider the Head of Internal Audit's annual report.	The 2017/18 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in May 2018.
To support the development of effective communication with the Head of Internal Audit.	The Principal Auditors (due to the vacant Corporate Manager Governance and Audit post), met on a regular basis with the

Terms of Reference of Committee	Relevant activity in 2018/19
	Chair and Vice Chair of the Committee.
<b>External Audit</b>	
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	<p>The 2017/18 Audit Findings Report and Action Plan were presented to Committee in September 2018 by the External Auditor.</p> <p>The 2017/18 Annual Audit Letter was reported to the September 2018 Committee meeting.</p>
To consider specific reports as agreed with the external auditor.	The Committee received and considered the work of the External Auditor (all meetings during the year).
To comment on the scope and depth of external audit work and to ensure it gives value for money	Regular reports are received from the External Auditors who also meet with the Chair and Vice Chair prior to each Committee meeting.
To commission work from internal and external audit and to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	<p>The Committee consider the work plan at all meetings and commission additional work where Committee members determine that additional assurance is required.</p> <p>The relationship between Internal and External Audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.</p>
<b>Financial Reporting</b>	
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.	<p>The draft Statement of Accounts 2017/18 was presented to the Committee in May 2018.</p> <p>The Statement of Accounts 2017/18 was approved by the Committee in July 2018.</p>
To consider the external auditor's report to those charged with	The 2017/18 Audit Findings and Action Plan were presented to

Terms of Reference of Committee	Relevant activity in 2018/19
governance on issues arising from the audit of the accounts.	<p>Committee in July 2018 by the External Auditor.</p> <p>The 2017/18 Annual Audit Letter was reported to the Committee in September 2018.</p>
Related Functions	
To approve and monitor Council policies relating to “whistleblowing” and anti-fraud and corruption.	<p>The Committee is provided with updates in relation to these matters via the interim reports on internal audit activity received during the year.</p> <p>Details relating to whistleblowing statistics will be reported via the Monitoring Officer report which is to be introduced during 2019/20.</p>
To seek assurance that customer complaint arrangements are robust	The Committee received regular update reports throughout 2018/19 on the number of decision notices received from the Local Government and Social Care Ombudsman.
Standards	
Promoting 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).	Members Code of Conduct Standards Reports recording decisions relating to complaints were submitted to the Committee in September 2018 and March 2019.
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year.
Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.	The Committee meeting in September 2016 approved the Localism Act 2011 – General Dispensations for a four year period (to 28 Sept 2020).

**Membership of the Audit and Governance Committee during 2018/19:**

<b>Members of the Audit and Governance Committee during 2018/19</b>	
	<p><b>Councillor Gordon Baxendale (Chair)</b></p> <p>Councillor Baxendale was an elected member with Cheshire East from its inception in April 2009, and a member of the Audit and Governance Committee from June 2015 until May 2019. He chaired his first meeting in December 2016.</p>
	<p><b>Councillor Mike Sewart (Vice Chair)</b></p> <p>Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p>
	<p><b>Councillor Sam Corcoran</b></p> <p>Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and served on the Audit and Governance Committee until May 2019.</p>
	<p><b>Councillor Tony Dean</b></p> <p>Councillor Dean became an elected member of Cheshire East Council in May 2015. He served on the Committee between June 2017 and May 2019.</p>
	<p><b>Councillor Rod Fletcher</b></p> <p>Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Committee since May 2011.</p>
	<p><b>Councillor Les Gilbert</b></p> <p>Councillor Gilbert has been an elected member of Cheshire East Council since its beginning in April 2009. He served on the Committee from May 2016 to May 2019.</p>








Members of the Audit and Governance Committee during 2018/19	
	<p><b>Councillor Martin Hardy</b></p> <p>Councillor Hardy was an elected member of Cheshire East Council since its beginning in April 2009. He has previously served on the Audit and Governance Committee since its inception in June 2010 until December 2016 and was Vice-Chair from May 2011 to January 2012.</p>
	<p><b>Councillor Andrew Kolker</b></p> <p>Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p>
	<p><b>Councillor Nick Mannion</b></p> <p>Councillor Mannion became an elected member of Cheshire East Council in May 2015. He served on the Committee from March 2017 to May 2019.</p>
	<p><b>Councillor Gill Merry</b></p> <p>Councillor Merry was an elected member of Cheshire East Council since its beginning in April 2009. She served on the Committee from June 2017 to May 2019.</p>
	<p><b>Councillor Amanda Stott</b></p> <p>Councillor Stott became an elected member of Cheshire East Council in May 2015, and was a member of the Audit and Governance Committee from June 2015 until May 2019.</p>
<b>No image available.</b>	<p><b>Philip Gardener</b></p> <p>Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p>




It should also be noted that the following Councillors deputised for members of the Audit & Governance Committee, the Councillors received the necessary induction training prior to the meetings:

6<sup>th</sup> December 2018:

- Councillor M Deakin



Current members of the Audit and Governance Committee 2019/20	
	<p><b>Councillor Rod Fletcher (Chair)</b></p> <p>Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Committee since May 2011. He chaired his first meeting in May 2019.</p>
	<p><b>Councillor Rachel Bailey (Vice-Chair)</b></p> <p>Councillor Bailey has been an elected member of Cheshire East Council since its beginning in April 2009. She joined the Committee in May 2019.</p>
	<p><b>Councillor Mike Sewart</b></p> <p>Councillor Sewart became an elected member of Cheshire East Council in May 2015. He joined the Committee in March 2017.</p>
	<p><b>Councillor Andrew Kolker</b></p> <p>Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.</p>
	<p><b>Councillor David Edwardes</b></p> <p>Councillor Edwardes became an elected member of Cheshire East Council in May 2019.</p>
	<p><b>Councillor Byron Evans</b></p> <p>Councillor Evans became an elected member of Cheshire East Council in May 2019.</p>
	<p><b>Councillor Andrew Gregory</b></p> <p>Councillor Gregory became an elected member of Cheshire East Council in May 2019.</p>

Current members of the Audit and Governance Committee 2019/20	
	<p><b>Councillor Sally Handley</b> Councillor Handley became an elected member of Cheshire East Council in May 2019.</p>
	<p><b>Councillor Steven Hogben</b> Councillor Hogben has been an elected member of Cheshire East Council since June 2011. He joined the Committee in May 2019.</p>
	<p><b>Councillor Marilyn Houston</b> Councillor Houston became an elected member of Cheshire East Council in May 2019.</p>
<b>No image available.</b>	<p><b>Philip Gardener</b> Independent Member of the Committee, Mr Gardener was co-opted to the Committee in March 2017.</p>



*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Committee Work Plan

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. This report presents the Committee's Work Plan for 2019/20 (Appendix A) to the Committee for consideration.

### **2. Recommendations**

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

### **3. Reasons for Recommendations**

- 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. Members will recognise that some items are brought to Committee on a more regular basis than others and ensure that statutory requirements are complied with. There are also individual requirements of the Committee's Terms of Reference which are only used on an ad-hoc basis. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.
- 5.4. In order to help with their deliberations, Members are asked to consider the following:
  - 5.4.1. That care is 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.
  - 5.4.2. that the Audit and Governance committee should operate at a strategic level and any time consuming aspects of the Committee's business should be addressed elsewhere. Matters of operational detail should be resolved by service managers
  - 5.4.3. that the number and frequency of reports should be proportional to the risk ensuring the core business of the committee gives sufficient focus and attention, avoiding lengthy or unproductive meetings.
- 5.5. Members should note that the item relating to the Annual Audit and Governance Committee Self Assessment that was initially planned for the July 2019 meeting has been deferred to October 2019. This is to facilitate a more informed self assessment that takes into account the results of the current skills assessment and the detailed training in relation to the Annual Governance Statement and Statement of Accounts.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. The Work Plan for 2019/20 complies with the requirements of the Accounts and Audit 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. Policy Implications**

- 6.3.1. There are no policy implications in this report.

### **6.4. Equality Implications**

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

### **6.5. Human Resources Implications**

- 6.5.1. 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.

### **6.6. Risk Management Implications**

- 6.6.1. 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:

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

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no climate change implications in this report.

**7. Ward Members Affected**

7.1. All wards affected.

**8. Consultation & Engagement**

8.1. The Work Plan for 2019/20 was prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee and approved by the Audit and Governance Committee in March 2019.

**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

Job Title: Principal Auditor

Email: [michael.todd@cheshireeast.gov.uk](mailto:michael.todd@cheshireeast.gov.uk)

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>30<sup>th</sup> July 2019</b>			
External Audit Findings and Action Plan 2018/19 (Mazars)	Summary of findings from the 2018/19 audit 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.	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
Annual Monitoring Officer Report 2018/19	Annual report of the Monitoring Officer for 2018/19	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Maladministration Notices from the Local Government and Social Care Ombudsman (March – April 2019)	<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 <u>standing agenda item</u>, 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"> <li>• if there have been any upheld complaints to be reported on to the next agenda</li> <li>• the appropriate part of the agenda for</li> </ul>	146	<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>

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	<p>the report to be considered</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>		
Annual Information Governance Update 2018/19	This report provides an update on the Council's Information Governance arrangements during 2018/19.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Internal Audit Annual Report (2018/19)	Annual opinion on the overall adequacy and effectiveness of the Council's control environment	128	<p>To consider the head of internal audit's annual report:</p> <p>a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.</p> <p>b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement</p>
Annual Risk Management Report 2018/19	Annual report on the effectiveness of risk management arrangements in the Council during 2018/19.	114	To monitor the effective development and operation of risk management in the council.



## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
Audit and Governance Committee Annual Report 2018/19	Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council.	142	To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
		143	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.
		144	To publish an annual report on the work of the committee.
Annual Governance Statement 2018/19	Approval of the Annual Governance Statement 2018/19	111	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 Statement of Accounts 2018/19	Approval of the Audited Statement of Accounts for 2018/19	140	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.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the	ALL	ALL

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
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.	112	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.
<b>3<sup>rd</sup> October 2019</b>			
Annual Audit Letter 2018/19 (Mazars)	Summary of the External Audit findings from the 2018/19 audit. The letter will also confirm the final audit fee.	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Members Code of Conduct: Standards Report (March 2019-August 2019)	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between 1st March 2019 and end of August 2019.	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring the Code 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.	114	To monitor the effective development and operation of risk management in the council.
Referrals to the Local Government and Social Care Ombudsmen 2018/19	The report will provide a summary of the key issues from the annual report received by the LGO.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Treasury Management Annual Report 2018/19	This report will update the Committee on Treasury Management activity over the year.	120	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
Annual Audit and Governance Committee Self Assessment	Self-assessment of the effectiveness of the Committee, which provides an assurance for the Annual Governance Statement.	143	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.
Counter Fraud Report	<p>This report will update the Committee with:</p> <ul style="list-style-type: none"> <li>an overview of developments that are taking place nationally,</li> <li>an update on anti-fraud and corruption activity at Cheshire East; and</li> <li>details of work that will be completed to ensure compliance with best practice and improve Cheshire East's resilience to the threat of fraud and corruption.</li> </ul> <p>The report will also set out a review of the Counter Fraud Policy against best practice and identify suggestions for improvements.</p>	118	To monitor the counter-fraud strategy, actions and resources.
		145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.
Review of Whistleblowing Policy and Procedure	To provide the Committee with an update on the effectiveness of the Council's Whistleblowing Policy and a breakdown of the number of reports received during 2018/19.	145	To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 2018/19 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
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.	112	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.
<b>5<sup>th</sup> December 2019</b>			
External Audit Plan 2019/20 (Mazars)	To receive and comment on External Audit's planned work for the audit of financial statements and the value for money conclusion 2019/20	135	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Certification Report 2019/20	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.	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2019/20	Update on the contents of the Council's Treasury Management Strategy for 2019/20.  The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.	120	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Internal Audit 2019/20 Plan Progress Update	Progress report against the Internal Audit Plan 2019/20.	127	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.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
			<p>These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</p>
Annual Governance Statement - Progress Update	Update on actions to improve governance arrangements and respond to emerging issues identified in the 2018/19 Annual Governance Statement. Proposed process for the production of the 2019/20 Annual Governance Statement.	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 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.	112	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.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>12<sup>th</sup> March 2020</b>			
External Audit 2019/20 Progress and Update Report (Mazars)	To receive an update from the Council's External Auditors in relation to the 2018/19 external audit report and other issues	135	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
		137	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Members Code of Conduct: Standards Report (September 2019-February 2020)	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between September 2019-February 2020.	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code 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.	114	To monitor the effective development and operation of risk management in the council.
Internal Audit Plan 2019/20: Progress Report	To consider a summary of Internal Audit Work undertaken between September 2018 and December 2018.	127	To consider reports from the head of internal audit's performance during the year.
Work Plan 2019/20	Forward looking programme of meetings and agenda items for 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.	112	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.

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
<b>Unscheduled</b>			
Upheld Complaints to the Local Government Ombudsmen (If required)	<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 <u>standing agenda item</u>, 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"> <li>• if there have been any upheld complaints to be reported on to the next agenda</li> <li>• the appropriate part of the agenda for the report to be considered</li> <li>• 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.</li> </ul>	146	<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>
Approach to disclosure of Internal Audit Reports <i>Carried forward from 2018/19 work plan</i>	Report to the Audit and Governance Committee regarding the current approach to the sharing of Internal Audit reports and presenting options for future	127	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. These will include:

## Work Plan 2019/20

		Extract from Committee Terms of Reference – (December 2018)	
Agenda Item	Description	No	Detail
	consideration		<p>a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</p>
		129	To consider summaries of specific internal audit reports as requested.
Update on Internal Audit Report on Land Transactions <i>Carried forward from 2018/19 work plan</i>		116	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		129	To consider summaries of specific internal audit reports as requested.
Members Code of Conduct <i>Requested at March 2019</i>	Members requested a review of the information provided to Committee regarding the Members Code of Conduct	109	To promote high standards of ethical behaviour by developing, maintaining and monitoring the Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).



## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Waivers and Non-Adherences (WARNs)

**Senior Officer:** Mark Palethorpe – Acting Executive Director of People Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number of cases where, and reasons why, procurement activity has required the use of waivers and/or non-adherences (WARNs). The report covers approved cases between the 1<sup>st</sup> May 2019 and the 30<sup>th</sup> June 2019.
- 1.2. The approved WARNs are published retrospectively for information on the next appropriate Audit and Governance Committee. The total number of WARNs to be presented to the July Audit and Governance Committee is 4 (consisting of 4 Waivers and 0 Non adherences) see appendix 1.
- 1.3. 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 and/or Officer Details.

### **2. Recommendation/s**

- 2.1. That the Audit and Governance Committee note the number and reason for waivers and non-adherences (WARNs) approved between 1<sup>st</sup> May 2019 and 30<sup>th</sup> June 2019 (4 in total).

### **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 retrospectively review all approved WARNs. The WARN process forms part of the Councils 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 Committees will be presented to the following Committee. This report contains all WARNs approved from the 1<sup>st</sup> May 2019 to the 30<sup>th</sup> June 2019 (4 in total).

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 7.4-7.10.

Waivers are a compliant part of the Contract Procedure Rules and are used where there is a genuine business case to direct award without the need for competition.

**Table 1: WARNs have significantly reduced in the last three years**

<b>WARNs</b>	<b>2016-2017</b>	<b>2017- 2018</b>	<b>2018-2019</b>	<b>April - June 2019</b>
Non Adherence	33	10	5	0
Waiver	40	20	16	7
<b>Grand Total</b>	<b>73</b>	<b>30</b>	<b>21</b>	<b>7</b>

- 5.2. The total number of WARN's for 2018-2019, at 21, is a further reduction of 30% from the previous year.

This reduction in waivers and non adherences is the result of improved forward planning, better information such as enhanced contracts register and Council pipeline/workplan of procurements and proactively working with services to inform better outcomes and ensuring compliant contracts are in place.

## **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. This is supported by effective commissioning, procurement processes and appropriate contract management.

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. N/A

### **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.

**6.9. Climate Change Implications**

6.9.1. There are no climate change implications within this report.

**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](mailto:lianne.halliday@cheshireeast.gov.uk)

## Appendix 1

**CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING**

<b>A</b>	Genuine Emergency – which warrant an exception to the requirements
<b>B</b>	Specialist Education or Social Care Requirements
<b>C</b>	Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
<b>D</b>	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
<b>E</b>	In-depth Knowledge, skills and capability of project/services already in existence with consultants/providers carrying out related activity – therefore procuring new consultants/skills would be uneconomic given the investment in previous, related work.
<b>F</b>	No valid tender bids received, therefore direct award can be substantiated
<b>G</b>	Lack of Planning
<b>H</b>	Other – Any other valid general circumstances up to the EU threshold

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