

Audit and Governance Committee

Agenda

Date:	Thursday, 24th November, 2022
Time:	2.00 pm
Venue:	Committee Suite 1,2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ

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

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

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

1. **Apologies for Absence**

To receive any 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.

For requests for further information

Contact: Rachel Graves

Tel: 01270 686473

E-Mail: rachel.graves@cheshireeast.gov.uk

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

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

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

4. **Minutes of Previous Meeting** (Pages 5 - 12)

To approve as a correct record the minutes of the meeting held on 29 September 2022.

5. **Audit & Governance Action Log** (Pages 13 - 18)

To consider the Audit & Governance Action Log.

6. **Ward Member Budgets** (Pages 19 - 44)

To consider the Ward Member Budget report considered by Highways Committee on 22 September 2022.

7. **Internal Audit Plan 2022/23: Progress Update** (Pages 45 - 82)

To receive an update on work undertaken by Internal Audit between April and September 2022 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2022/23.

8. **Annual Governance Statement 2021/22**

To receive a verbal update on the Audit Governance Statement 2021/22.

9. **External Audit Progress Report** (Pages 83 - 100)

To receive a verbal update report on both the 2020/21 and 2021/22 Audits by Mazars, the Council's external auditors, and the outcome of the Public Sector Audit Appointments (PSAA) exercise for the appointment of the Council's auditors from 2023/24 to 2027/28.

10. **Risk Management Update**

To receive a Risk Management update.

To follow.

11. **Standing Item: Work Programme 2022/23** (Pages 101 - 106)

To consider the Committee's Work Programme.

12. **Standing Item: Compliance with Contract Procedure Rules** (Pages 107 - 112)

To consider 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).

13. **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 Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

14. **Standing Item: Compliance with Contract Procedure Rules: PART TWO** (Pages 113 - 140)

To note the approved WARNs.

Membership: Councillors R Bailey, C Bulman, M Goldsmith, A Harewood, M Houston, P Redstone, M Sewart, M Simon (Chair) and J Nicholas (Vice-Chair)

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 29th September, 2022 in the Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Simon (Chair)
Councillor J Nicholas (Vice-Chair)

Councillors C Bulman, A Harewood, M Houston, P Redstone, I Macfarlane,
J Saunders and A Kolker

OFFICERS IN ATTENDANCE

David Brown- Director of Governance and Compliance and the Monitoring
Officer
Helen Davies- Democratic Services Officer
Helen Gerrard, Head of Customer Services Josie Griffiths- Head of Audit and
Risk
Jane Burns- Executive Director of Corporate Services
Alex Thompson- Director of Finance and Customer Services and Section 151
Officer
Alan Ward- Complaints Support Officer

33 APOLOGIES FOR ABSENCE

Apologies of absence were received from Councillor Rachel Bailey
(Councillor Jos Saunders was substituting); Councillor Mark Goldsmith
(Councillor Iain Macfarlane was substituting); and Councillor Mike Sewart
(Councillor Andrew Kolker was substituting).

34 DECLARATIONS OF INTEREST

There were no declarations of interest received.

35 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public present who wished to speak.

36 MINUTES OF PREVIOUS MEETING

Councillor Bulman noted the wording on page five in the table that related
to the Action Log, the action said:

“Councillor Carol Bulman noted at the bottom of Page 11, there was a
paragraph that related to closures between Pym's Lane and Flowers Lane
Hospital Campus. Councillor Bulman had been made aware than an open

letter had been sent on this matter and she felt this should be shared with the Committee."

This wording had also been used on page 4 of the supplementary pack that contained the minutes of the last meeting.

Councillor Bulman clarified that the wording was not quite accurate and she was referring to the reply written by the Chief Executive Lorraine O'Donnell in response to the open letter by Councillors: Rachel Bailey; Patrick Redstone; and Margaret Simon.

RESOLVED:

That subject to the change to the wording agreed above, that the minutes be approved as a correct and accurate record.

37 ACTION LOG

The Chair went through each of the actions on the Action Log for the Committee to track progress.

1) The Chair and Vice Chair to meet Tom Moody, Director of Infrastructure and Highways via Microsoft Teams to discuss potential items for this Committees Work Programme and shared with the Committee.

Previously a date had been found in early September and the Chair and Vice Chair attended the Teams meeting. Unfortunately the Director of Highways and Infrastructure was unable to join, so a new date had been sought.

2) The response letter the reply written by the Chief Executive Lorraine O'Donnell in response to the open letter by Councillor Bailey as requested by Councillor Bulman.

As clarified under minutes of the previous meeting, Councillor Bulman advised the Committee it was the reply to an open letter from Councillors: Bailey; Redstone; and Simon by the Chief Executive that she wanted the Committee to review.

The Monitoring Officer noted that when a Chief Executive is in communication with a Councillor/s there was an expectation of confidentiality.

The Chair agreed to defer the item and speak with the Monitoring Officer outside of the meeting.

3) Cllr Houston asked about the measures in place to ensure that staff attend and participate in this training (in respect of Special Educational Needs and Disability (SEND) officers).

Councillor Houston thanked Brian Reed, Head of Democratic Services and Governance, for chasing up the response and Laura Rogerson Head Teacher of Virtual Schools, for providing a response.

38 MONITORING OFFICER REPORT

This report had been deferred from the last meeting and was for the Committee to note.

The report was part of governance assurance and outlined the ten areas it covered which included Members' Code of Conduct, Register of Gifts and Hospitality and Member Training and Development.

David Brown, the Director of Governance and Compliance and the Monitoring Officer advised the Committee that notable parts of the report included: the Information Commissioner upheld minimal number of complaints; and that the key elements of the Corporate Plan were aligned to the approach at Cheshire East for transparency. Of the 157 formal meetings scheduled during 2021/22, only 27 were held in closed session or required to go into exempt session at the end.

The Committee considered the report and there were items added to the action log to feedback to the Committee at the next meeting.

The following item was suggested as an item for the work programme:

- the Use of Covert Human Intelligence Source (CHIS) and the vetting and authorisation of officers to remain confidential. The Director of Governance and Compliance noted that whilst he couldn't give details of the process, test purchasing had recommenced and could be given to Members as a separate briefing in relation to Regulation of Investigatory Power (RIPA).

The Chair thanked the Monitoring Officer for a comprehensive report.

RESOLVED: That:

- a) the Annual Monitoring Officer's Report 2021/22 be received and noted; and
- b) the additional items be added to the Work Programme.

39 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

Muhammed Uzair Khan, the External Auditor presented the report to the Committee, he advised that Section 1 concentrated on delivering responsibilities and Section 2 was for information and included national publications.

Mazars were unable to offer an audit opinion on the Progress report for 2021/22, because the national evaluation issue (previously identified that related to the value of infrastructure assets) was still an ongoing issue.

The initial planning work had been completed on the 2021/22 financial statements and had been presented to the July meeting, there was no change to the risk assessment since issuing the memorandum.

RESOLVED:

That the External Audit Progress and Update Report be received and noted.

40 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

Josie Griffiths, Head of Audit and Risk presented the retrospective report for 2021/22, subject to review before the Final Annual Governance Statement could be presented to this Committee in November with an overview of changes.

The Committee noted that the covering report would usually have covered removal and changes but the timescales were later at this point in the cycle.

There was some discussion about the governance of an Urgent Item that had been considered by the Children and Families Committee on 23 September 2022 in respect of an All-Age Carers Hub. The Committee agreed to add an item to the Action Log for the Director of Governance and Compliance to feedback a detailed briefing note to the Committee.

Clarity was given in respect of the Alternative Service Delivery Vehicle (ASDV) review taking place, work was being done to arrange the first working group meeting but it was envisaged it would take several months to go through the paperwork.

RESOLVED (Unanimously) That:

- a) the draft Annual Governance Statement 2021/22 be received and noted;
- b) the proposed changes to the Significant Governance Issues as detailed in Section be approved;
- c) the proposed additional Significant Governance Issue as detailed in Section 8 be approved;
- d) the final statement will be considered by this Committee by the end of November 2022, prior to its approval and publication on the Council's website be received and noted.

41 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT

The Head of Audit and Risk presented the report and the Committee were given the opportunity to ask questions.

It was noted that the use of hyperlinks for electronic copies did not translate to hard-copies, and for the purposes of accessibility weblinks were requested on future paper correspondence.

The Chair extended the thanks of the Committee to the Officers involved in writing the report and clarified that because Councillor David Marren was the Vice Chairman of the Committee when the report was drafted, he would be declaring that interest at Council.

RESOLVED (Unanimously) That:

- a) The draft report for 2021/22 at Appendix A be received and noted; and
- b) the final version, to be presented at the next meeting of Council, be agreed.

42 STANDING ITEM: UPHELD COMPLAINTS TO THE LOCAL GOVERNMENT OMBUDSMAN

Alan Ward, Complaints Supports Officer joined the meeting.

The Director of Governance and Compliance introduced Helen Gerrard, Head of Customer Services to the Committee. The Committee was advised that the Local Government Ombudsman complaints area of work had been moved to align with the Customer Services Team to enable transparency across complaints as a whole.

The Committee asked for clarity on the process taken to make changes to procedures specifically when in relation to the complaints and compensation paid.

The Head of Customer Services noted that where issues could arise on the subject of recruitment, lessons learned needed to be widely shared across the Council, which was not happening as well as it could be at present.

RESOLVED (Unanimously) That:

- a) the content of the report and the Council's compliance with the Corporate Complaints Policy, and with the recommendations of the Ombudsman be received and noted;
- b) the report be provided to the Chair of each Service Committee; and
- c) That a move to a 6-monthly report of Upheld Ombudsman Decisions be agreed, thereby allowing more time for analysis and provision of context for the complaints.

43 STANDING ITEM: WORK PROGRAMME 2022/23

The Head of Audit and Risk noted salient points of the Committee's Work Programme:

It was agreed that items be added on the subject of:

- Land Transactions (expected at Committee in March 2023); and
- the Hearing Sub-Committee report.

The Committee queried correspondence some Members had received on Section 106 funding. The Head of Audit and Risk clarified that an internal audit was taking place on Section 106 funding and that this Committee would be kept updated on progress through the Internal Audit Update Reports. Findings could then be considered either by this Committee or the Environment and Communities Committee in due course.

Two items were agreed to be added to the Committee Action Log.

The Head of Audit and Risk noted that by the Chartered Institute of Public Finance and Accountancy (CIPFA) had started work to prepare for a review of this Committee. A Document Review was in progress with time scheduled to meet Members in January 2023 with a final report back to Committee in March 2023.

RESOLVED: That

- a) the Work Programme be received and noted; and
- b) a briefing on the Customer Services Review be added to the Committee Work Programme with a report back from the Head of Customer Services at the next meeting in November.

44 STANDING ITEM: COMPLIANCE WITH CONTRACT PROCEDURE RULES

The Director of Finance and Customer Services and Section 151 Officer presented the Waivers and Non-Adherences (WARNs) report, the Committee were reminded that Finance Sub-Committee had the overarching responsibility, and that no serious concerns were raised when reviewed. The Finance Sub-Committee did note that the numbers of Waivers was still high but this was attributed to legacy issues during the pandemic and health related emergency responses.

The Audit and Governance Committee received the reports to ensure governance control.

The Committee was advised that in July, the Finance Sub-Committee formed a Working Group to retrospectively review a number of specific procurements. Three cross-party Councillors met to meet with the Manager of the Procurement Team. Feedback was positive and the professionalism of officers was noted. The feedback was included within the report for assurance purposes.

RESOLVED (Unanimously) That:

- a) the reason for 7 waivers approved between 1st June 2022 and 31st August 2022 (13 in total in 2022/23) noted; and
- b) the Finance Sub-Committee, having reviewed the Waivers for this period as part of their responsibility for the pipeline of procurement activity (on the 7th September 2022), be noted.

45 EXCLUSION OF THE PRESS AND PUBLIC

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 1000(A)(4) of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1, 2 and 3 of Page 15 Schedule 12A of the Local Government Act 1972 and the public would not be served in publishing the information.

46 STANDING ITEM: COMPLIANCE WITH CONTRACT PROCEDURE RULES: PART TWO

The Committee was advised that due to a printing issue during one print run, some of the Part 2 papers had been printed on white as opposed to pink.

The Committee considered the seven WARNS.

RESOLVED: That the WARNS be received and noted.

The meeting commenced at 2.00 pm and concluded at 3.22 pm

Councillor M Simon (Chair)

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Audit and Governance Committee - Action Log

Date of Meeting: 28 July 2022

Meeting Date	Item No	Report Title	Action	Officer	Deadline for Action
28 July 2022	4	Minutes of the Previous Meeting	<p>Councillor Carol Bulman noted at the bottom of Page 11, there was a paragraph that related to closures between Pym's Lane and Flowers Lane Hospital Campus. Councillor Bulman had been made aware that an open letter had been sent on this matter and she felt this should be shared with the Committee.</p> <p>The Chair was aware of this matter and noted that she had no opportunity to speak to Councillor Rachel Bailey, who was unable to attend the meeting, but this was an item that could be taken away and shared with the Committee in due course.</p>	David Brown Councillor Margaret Simon	<p>Helen to speak to Chair</p> <p>Update: 29th September meeting- Councillor Bulman clarified it was the reply from the Chief Executive she wanted to see, not the original letter. The Monitoring Officer noted that when a Chief Executive is in communication with a Councillor there was an expectation of confidentiality.</p> <p>The Chair agreed to defer the item and speak with the Monitoring Officer outside of the meeting.</p> <p>No officer input needed. Councillor to resolve.</p>
29 th September 2022	6	Monitoring Officer Report	Ron Jones noted that the comparative data for complaints and compliments had a different trajectory. Complaints were	David Brown	Alan Ward, Complaints Support Officer to undertake analysis.

			previously 1753 and over 2334. Compliments had gone from 887 to 554. David Brown noted no data had been done on this yet, but he could respond to this query at the next meeting.		
29 th September 2022	6	Monitoring Officer Report	Ron Jones brought up the Use of Covert Human Intelligence Source (CHIS) and asked about the vetting and authorisation of officers to remain confidential. David Brown noted that whilst he couldn't give details of the process, test purchasing had recommenced and could be given to Members as a separate briefing in relation to Regulation of Investigatory Power (RIPA).	David Brown	Cheshire East have been contacted by Investigatory Powers Commissioners Office. A Remote desktop inspection expected imminently- report back to Committee.
29 th September 2022	6	Monitoring Officer Report	Councillor Andrew Kolker noted that Appendix 1 of the report: Feedback Received there were three stand out complaints in 2021 against 2022: 1) Legal (4 in 2021 vs 14 in 2022) 2) Democratic Services and Compliance (3 in 2021 vs 34 in 2022) 3) Registration Services (0 in 2021 vs 12 in 2022)	David Brown	Alan Ward, Complaints Support Officer to undertake analysis.

			Given these areas of work have similar administration he queried if there was a common thread. David Brown agreed to investigate this further and bring it back to the Committee.		
29 th September 2022	6	Monitoring Officer Report	Councillor Jos Saunders questioned that of the meetings scheduled how many were cancelled and were they in one particular area or was there a staff resourcing issue? (noting the council was carrying 230 vacancies). David Brown agreed to take this action away and bring back to the response to the Committee.	David Brown	Karen Shuker, Democratic Services Officer to undertake analysis.
29 th September 2022	6	Monitoring Officer Report	Councillor Jos Saunders requested statistical neighbour data and national figures to see how Cheshire East is performing against other areas in respect of: Local Government and Social Care Ombudsman (LGSCO) referrals and the fault with injustice.	David Brown	Alan Ward, Complaints Support Officer to undertake analysis.
29 th September 2022	7	Draft Annual Governance Statement 2021/22	David Brown agreed to provide the Committee with a detailed briefing note in respect of the All-Age Carers Hub urgent	David Brown	Brian Reed, Head of Governance and Democratic Services to provide further information.

			decision that was taken at Children & Families Committee on the 23 September 2022.		
29 th September 2022	11	Work programme	The Chair agreed to share an email received by a few Members on Section 106 funding with officers to advise if it was suitable for sharing with the wider Audit & Governance Committee to draw in wider governance. Councillor Carol Bulman advised she was going to respond to the email via the Members Enquiry Service (MES) to ensure no confidentiality would be broken and feedback to the email author in due course.	Councillor Margaret Simon & Councillor Carol Bulman	Section 106 Internal Audit has started- findings will feed back to this Committee and the Environment and Communities Committee to help inform further work via a Working Group.
29 th September 2022	11	Work programme	Mr. Ron Jones noted there was nothing in respect of disability or minority concerns on the Audit & Governance Work Programme. The Head of Audit and Risk agreed to speak to Ron Jones outside of the meeting.	Josie Griffiths.	Josie Griffiths to invite Ron Jones to meetings in relation to setting of next years A&G Plan.
29 th September 2022	11	Work programme	The Committee requested a briefing on the Customer Services Review be added to the Committee Work Programme to report back from the Head of Customer Services to the next meeting.	Helen Gerrard	Diane Moulson- to pull together training offer with Helen Gerrard. Helen followed up a training offer for Members with Diane Moulson, Member Training and Development

					and Helen Gerrard, Head of Customer Services.
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Working for a brighter future together

Audit & Governance

Date of Meeting:	24 November 2022
Report Title:	Ward Member Budgets
Report of:	David Brown Monitoring Officer
Report Reference No:	HT/42/22-23
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. To provide Audit & Governance Committee with the opportunity to consider the Ward Member Budget report considered by Highways Committee on 22 September 2022.

2. Executive Summary

- 2.1 The Highways Committee report is attached as appendix 1 ([Public Pack](#)) [Agenda Document for Highways and Transport Committee, 22/09/2022 10:30 \(cheshireeast.gov.uk\)](#) and the minute of the meeting at appendix 2 [Minutes Template \(cheshireeast.gov.uk\)](#).

Audit and Governance Committee asked for the Ward Member Budget paper to be reviewed and any governance issues identified.

The report does not identify any governance issues but suggests member engagement in policy development either pre or post decision may be beneficial.

3. Recommendations

- 3.1. The report is noted.

4. Reasons for Recommendations

- 4.1. This report is to provided following a request by the Audit and Governance Committee to consider any audit or governance issues that have been identified.

5. Other Options Considered

- 5.1. This report is for information to the Audit and Governance Committee. The decision was made by the Highways Committee on the 22 September 2022

6. Background

- 6.1. The full background is set outlined in the Highways paper. The key element for this committee was to consider if the current formulation of the budget scheme falls within the scope of the amendment made without notice to the budget at full council on February 2021. [Minutes Template \(cheshireeast.gov.uk\)](https://www.cheshireeast.gov.uk/minutes-template) the relevant extract is set out below:
- 6.2. *“14. The amendment to establish devolved ward member highways budgets of at least £4,200 per Ward Member for the financial year 2021/2022, with the proposal to be funded from the current allocation of Capital Grant funding to the Area Highway Groups of £350,000 and that the Committee System review achievements of the ward budgets scheme in 2021/22 with a view to widening the scheme in 2022/23 and beyond with a significant increase in the budget amount to be allocated to each Ward Member.”*

Member Engagement

- 6.3. The appended report indicates there was a series of member briefings and that information about the scheme was shared. The report also indicates not all members have used or accessed the budget.
- 6.4. The report at appendix 1 was the second report to the Highways Committee. The first was on 13 January 2022. [Public Pack\)Agenda Document for Highways and Transport Committee, 13/01/2022 10:30 \(cheshireeast.gov.uk\)](https://www.cheshireeast.gov.uk/public-pack-agenda-document-for-highways-and-transport-committee-13/01/2022-10:30) There is clear evidence of member engagement and formal reporting to the Highways Committee. The second report clearly indicates the purpose of the full council amendment was achieved and has recommended an increase in the budget which accords with the amendment.
- 6.5. A further concern raised by Audit and Governance was the description of the scheme as a pilot. The explanation of the term pilot was given at paragraph 6.4 of the report in appendix 1. The pilot scheme was reviewed with a recommendation that the annual budget per Member is increased to £6,500 per annum. This appears to be aligned to the minute of full council.

- 6.6.** The appended report identified issues with the initial scheme at paragraph 7.10.
“In summary therefore the following issues have been observed during the initial duration of delivery of the ward budget scheme:
- *The scheme has not seen a full take up by all Members, as a result of the above the allocated 2 year budget will not be spent and hence will require re-allocation in year.*
 - *The scheme as designed with a formal application process is administration heavy both for the Members and the delivery team.*
 - *As applications can be submitted at any time, together with the existing demands on the Service, this makes accurate work programming difficult and has led to frustration by Members at the apparent lack of progress in getting schemes delivered.*
 - *Similar to the above the more ad-hoc nature of works means that there is very limited availability for the Service to proactively look at “buying in bulk” i.e. collecting specific elements of work funded by the ward budget scheme into larger scale programmes.*
 - *In specific cases there are known highways defect issues which have been reported to the Council but are overlooked for other initiatives of lower value to the Council’s highway asset.”*
- 6.7.** The appended report also identifies the difficulty in setting up the initial scheme which was introduced as an amendment without notice on the day of Council and observes at paragraph 6.3.
“there had been no pre-work in terms of setting a clear policy and system for the operation of the scheme in advance of the Council resolution.”
- 6.8.** The thematic issue is not governance but one of meeting members expectations. The attached report gives effect to the proposal required the creation of the ward member highways budget scheme. The original proposal at full council was for a generic ward member budget and was altered to ensure a balanced budget position was maintained by limiting to the existing highways budget. A part of the highways budget was to be used at the direction of members on a highways matter (which by default would have to have been within the scope of the original highways budget). There was no existing mechanism, and this required policy development, interpretation of the decision and recognition of the practical delivery issues to be implemented. Individuals both Members and Officers will have different interpretations and understanding. This appears to have led to differences in expectations.
- 6.9.** Under the committee system (which postdates this decision) a proposal such as this may be raised by motion at full council, delegated to the relevant committee. That committee could set up a members working group

which would have given the opportunity for specificity to be achieved, a policy developed, and a budget request made.

- 6.10.** Members would then be engaged and have clear oversight and ownership within the relevant statutory framework.

Timeliness

- 6.11.** A second core issue appears to be timeliness. In governance terms a resolution of full council should be implemented in a reasonable and timely way. Undue or wilful delay can defeat the purpose of the resolution. Again, the matter did progress, a scheme created and then reviewed. There are no direct governance issues, but the terminology used, and method of member engaged in the process appears to have given little reassurance of progress.
- 6.12.** There are no identified governance issues, but the committee may consider that member engagement in policy development both prior to or post decision should be encouraged.
- 6.13.** The report was agreed unanimously by the Highways Committee.

7. Consultation and Engagement

- 7.1.** None

8. Implications

8.1. Legal

- 8.1.1.** None

8.2. Finance

- 8.2.1.** None

8.3. Policy

- 8.3.1.** None

8.4. Equality

- 8.4.1.** None

8.5. Human Resources

- 8.5.1.** None

8.6. Risk Management

- 8.6.1.** None

8.7. Rural Communities

8.7.1. None

8.8. Children and Young People/Cared for Children

8.8.1. None

8.9. Public Health

8.9.1. None

8.10. Climate Change

None

Access to Information	
Contact Officer:	David Brown, Director of Governance & Compliance David.C.Brown@Cheshireeast.gov.uk
Appendices:	Appendix 1: Highways & Transport Committee 22 nd September 2022 item 26. Review of Highways Member Budget Scheme. Appendix 2: Minutes of Highways & Transport Committee 22 nd September 2022 item 26
Background Papers:	See appendices

Appendix 1



Working for a brighter future together

Highways and Transport Committee

Date of Meeting: 22nd September 2022

Report Title: Review of Highways Ward Member Budget Scheme

Report of: Tom Moody, Director of Highways and Infrastructure

Report Reference No: HT/42/22-23
All

Ward(s) Affected:

1. Purpose of Report

- 1.1. To propose a policy for a revised ward budget scheme based on experience gained and lessons learned, to be implemented for 2023/24 onwards.

2. Executive Summary

- 2.1. In line with the Council resolution this report summarises the background to inception and results of the initial period of the ward budget scheme, including issues raised and lessons learned.
- 2.2. From the issues observed and feedback offered, a review of the way forward with highways ward Member budgets was deemed necessary and a summary of the key points considered is as follows;
- What has been the level of engagement in the scheme?

- How successful has the current administration process been in terms of supporting the schemes objectives?
 - What are the lessons learned from the first two years of the scheme?
 - What is an appropriate budget per Member per annum for the scheme?
 - Considering the above, how should a policy on ward Member budgets be progressed going forward?
- 2.3. Based on the above the report then sets out a preferred option and its benefits to implementing a revised scheme for the next 4 financial years.
- 2.4. The proposal provides an uplift to the individual annual ward budget of over 50% from the current £4,200 per annum.
- 2.5. The proposal would equate to an uplift in the total annual ward budget to £553k from £370k (+£183k). The balance of these monies would have to be found from the current highway capital allocations contained in the Medium Term Financial Strategy (MTFS).
- 2.6. The report also seeks to align the proposed revised approach to the themes coming out of the analysis of responses to the recent Highways satisfaction survey.

3. Recommendations

- 3.1. That the Highways and Transport Committee resolve that the following proposals are adopted as the new policy in relation to the ward Member budget scheme;
- 3.1.1. That the annual budget per Member is increased to £6,500 per annum.
- 3.1.2. The revisions to how the scheme is administered, as set out under Section 8.1 of this report are implemented.
- 3.1.3. That the revised scheme operates for a fixed 4 year period with delivery commencing in April 2023.
- 3.2. To approve the re-allocation of a maximum of £255k underspend from the initial 2 year allocation to the ward budget scheme to those initiatives as listed under paragraph 9.2.8 of this report.

4. Reasons for Recommendations

- 4.1. To clearly set out the revised framework for a highways ward member budget scheme, applying lessons learned.
- 4.2. To enable greater efficiency and hence increased value for money in the delivery of the ward member budget scheme.

- 4.3. The adoption of this proposal would align with the Cheshire East Corporate Plan 2021-2025 aim of being 'A thriving and sustainable place' under the priority 'A transport network that is safe and promotes active travel'.

5. Other Options Considered

- 5.1. The Committee could choose not to extend the ward budget scheme beyond the initial 2 year period however this would not be in line with the resolution from Full Council.

6. Background

- 6.1. During the debate on the MTFS for 2021-25 at the council meeting of 17th February 2021, the following amendment to the budget resolution was proposed and approved;

... to establish devolved ward member highways budgets of at least £4,200 per Ward Member for the financial year 2021/2022, with the proposal to be funded from the current allocation of Capital Grant funding to the Area Highway Groups of £350,000 and that the Committee System review achievements of the ward budgets scheme in 2021/22 with a view to widening the scheme in 2022/23 and beyond with a significant increase in the budget amount to be allocated to each Ward Member.

- 6.2. Subsequently a detailed proposal was developed in line with the Council resolution, reallocating budget from the former Area Highway Groups to the ward member budget scheme. This funding comes from the Local Transport Plan highway capital grant from the Department for Transport (DfT).
- 6.3. The Council has previously determined, including in its returns to the DfT that this grant funding is spent on improvements to the highway and transport networks within the borough. The ward budget 'pilot' scheme was developed to be consistent with this requirement. It should be noted that officers were in a position of having to interpret a Council decision with minimal guidance from the DfT due to the impact of the Covid pandemic and that there had been no pre-work in terms of setting a clear policy and system for the operation of the scheme in advance of the Council resolution.
- 6.4. The Ward Budget scheme has been termed as a 'pilot' in the context of a trial of the administrative processes which underpin the delivery of the ward budget scheme, rather than a trial of the principle of having a ward budget scheme in its own right. This is in line with the original resolution on the basis that a review was proposed and approved in order to understand the scheme's achievements. This highlighted areas of potential improvement to these processes.

- 6.5. The scheme was initially developed for ward Members, but given the nature of the highway works under consideration, applications from any Town and Parish Council have also been considered. These organisations would be able to use the same mechanism to deliver schemes that they could commit to funding either in full or by working with the relevant ward Member.
- 6.6. Briefings were rolled out and all ward members and representatives of all Town and Parish Councils were invited.
- 6.7. The Highways & Transport Committee received an update on the ward budget scheme at its meeting in January 2022 with the intention that a final report will be submitted to the committee in September 2022 with recommendations on how to deliver and manage the scheme in future years.

7. Overview

- 7.1. In the last and current financial year, ward Members were each individually issued £4,200 to spend on highway related issues within their ward. These amounted to a total budget of £370k inclusive of a circa £20k allowance for staffing costs relating to administering the scheme.
- 7.2. During the early stages of the scheme, enquiries were initially slow in being submitted but started to pick up following a series of reminders sent to Members by Cllr Browne and more recently the Interim Head of Highways.
- 7.3. Ward budgets have been able to be spent on a variety of highway assets or maintenance activities and so far, successful schemes have included street lighting upgrades, footway patching, carriageway patching, additional road signage, replacement road name plates, drainage works and road markings.
- 7.4. The original deadline of 30th June 2022 for applications was subsequently extended to 15th July. The reason for a deadline for applications was as follows;
- To ensure that adequate time remains for the assessment and delivery of the works.
 - To have a defined end date, to enable a review of the scheme to be undertaken, which is required in advance of budget setting for 2023/24.
- 7.5. As at 12 September 2022 progress on the applications received is as follows

:Progress on formal applications:	No. of Schemes
Delivered	18

Programmed for delivery	15
Currently being designed / costed for quotation	52
Received and awaiting assessment / Member meeting arranged	4
Checks for policy compliance underway	0
Declined - not policy compliant	11
Declined - insufficient budget (or rescinded on same basis)	21
Declined - schemes already in Highway Service core programme	16
Total No. of Schemes To date	137

- 7.6. Although there have been 137 formal applications there have been a much larger number of informal enquiries raised which have needed to be responded to. The officer time to service the current application led process has been significant.
- 7.7. 48 applications (35% of all applications) were declined on the basis of being either non policy compliant, unaffordable or already on the highways work programme.
- 7.8. The restrictions on how the money can be spent (i.e. on highway activities only) has led to representations from some Members who thought these monies could be used to fund wider public realm type initiatives such as park benches or provision of litter bins, for example.
- 7.9. Some Members have been disappointed with the level of funding available especially given the size of their wards, as this can limit their ability to deliver any meaningful works.
- 7.10. In summary therefore the following issues have been observed during the initial duration of delivery of the ward budget scheme:
- The scheme has not seen a full take up by all Members, as a result of the above the allocated 2 year budget will not be spent and hence will require re-allocation in year.
 - The scheme as designed with a formal application process is administration heavy both for the Members and the delivery team.
 - As applications can be submitted at any time, together with the existing demands on the Service, this makes accurate work programming difficult and has led to frustration by Members at the apparent lack of progress in getting schemes delivered.
 - Similar to the above the more ad-hoc nature of works means that there is very limited availability for the Service to proactively look at

“buying in bulk” i.e. collecting specific elements of work funded by the ward budget scheme in to larger scale programmes.

- In specific cases there are known highways defect issues which have been reported to the Council but are overlooked for other initiatives of lower value to the Council’s highway asset.

7.11. It should however be noted that there are a number of examples where a good outcome has been achieved, working collaboratively with ward Members.

7.12. Therefore there is a clear need to consider opportunities as to how to address the issues observed at paragraph 7.10.

7.13. The Highways Satisfaction Survey, which was sent out to Members, Town and Parish Councils, recently closed and whilst analysis is not yet complete a number of themes have emerged.

- Defects are reported potentially several times over an extended period (up to 3 years) which when assessed on a wider highway asset management basis are only of a low to very low priority.
- These defects are generally those which are seen as locally important, in particular to the Town and Parish Councils.
- The lack of ability to effectively collate these “low asset priority, high local importance issues” and place them into a work programme to give certainty around when they will be addressed, has a direct impact on levels of customer satisfaction.

7.14. Therefore, there is a clear opportunity to consider how we combine the ward Members budget and addressing the feedback gathered through the satisfaction survey.

7.15. There is also however a clear picture that based on the lessons learned there is a need to refine the approach focussing on these improvements exclusively on highways and not seeking to expand the scope of work beyond this at the current time.

8. Preferred Option

8.1. Whilst addressing the key shortcomings of the current system and retaining Members ability to influence what works are undertaken the suggested preferred option is as follows;

- Uplift the current £4,200 per annum ward budgets to £6,500 per annum from the Highways capital budget over the next 4 years, commencing on 1st April 2023/24. Please note commentary under section 9.2 of this report.

- Cheshire East Highways develop a rolling 2 year look ahead programme of work for each ward which is based on valid highway defects reported by the relevant Member and the related Town and/or Parish Councils through the Fix My Street or MES systems. These programmes would be lower priority work not already contained on existing highways work programmes but raised due to their local importance.
- This 2 year rolling work programme is then issued to each ward Member for approval with an offer of a 121 discussion should they so wish. Members would then have the ability to re-prioritise specific items of work within their ward programme, as they saw fit.
- These work programmes would be issued to Members in advance of the start of next year's work programme i.e. as part of already established highways contract business planning process, so provisionally mid-January 2023.
- In advance of each of the subsequent years making up the 4 year period (again provisionally January) a review would be offered to all Members, informed by new data, allowing any re-prioritisation of the remaining years work programmes as they felt was appropriate.
- Members may however choose to accept the work programme proposed "as is". For any wards whose Member do not respond within a set timeframe the proposed annual works list for their ward would be implemented by default.
- It is recognised that there is the potential for a number of new Members post the May 2023 elections who may wish to review priorities within their ward. The proposal therefore is to have for 2023/24 only a further round of direct engagement with new Members only with the purpose of reviewing their ward works list, provisionally mid to late June.
- It is considered that the above measures alongside an increase of staffing resource attached to managing the scheme will streamline and enhance performance related to the overall administration of the ward budget scheme.

Benefits

8.2. The benefits to this revised approach are as follows;

- Members will retain the flexibility to prioritise / re-prioritise the work at the start of each year and whether to spend their allocation

equally over the 4 years, combine multiple years or fellow Member ward budgets to deliver larger value investments.

- Avoids the current situation of applications being voided on the basis that they are either non policy compliant or are already being delivered within the committed Highways work programme.
- This gives some level of timescale certainty to have these locally important issues addressed, often lacking at the moment due to their relative low priority in many cases – in direct response to a key theme coming out of satisfaction survey feedback.
- The process would allow a known quantum of work to be programmed from the start of each year rather than trying to fit in adhoc as and when Member applications are received and validated. This would make delivery of the Member budgets more cost efficient and generate increased value for money.
- We have the data available already in our reporting tools i.e the Fix My Street system to create the ward programme works lists so this would offer a much less administration heavy approach of developing valid work programmes.
- We would have much greater certainty around budget spend each year, as removes reliance on receipt of valid Member applications to be able to do so.
- Frees up resource both Highways Client and CEH to focus on other Service delivery issues.
- A positive impact on reducing the number of defect reports / repeated defect reports if this group of customers can see that the works are programmed.
- It directly links back to one of the themes coming out from the now closed Highways Customer Satisfaction Survey – closer engagement with Members and our Town and Parish Councils, hence demonstrates how we are listening to their concerns and taking action to address.

9. Implications

9.1. Legal

- 9.1.1. The Council has a duty under the Highways Act 1980 to maintain the highways network within Cheshire East. The proposal shifts more funding

away from the core highways maintenance programme and it has been noted that this may in time affect the Council's status as a Band 3 authority. The risk is that should the Council cease to be classified by the Department for Transport as a Band 3 authority it would see its funding decrease on an annual basis.

9.2. Finance

- 9.2.1. The proposal equates to a 50% + uplift in the annual ward budget available to each Member.
- 9.2.2. The proposal would equate to an uplift in the total annual ward budget to £553k from £370k (+£183k). The balance of these monies would have to be found from the current highway capital allocations contained in the Medium Term Financial Strategy (MTFS). Hence other area(s) of highways investment will have to be reduced to allow this, areas which will be proposed as part of a highways budget paper to Committee in early 2023.
- 9.2.3. At present it has not been determined where these funds would be reallocated however it is proposed that for the first two years the additional funding for the scheme is 'top sliced' from the Council's own additional highways capital investment.
- 9.2.4. A number of risks are relevant to the proposed 4 year duration which Members are advised to take in to consideration when considering the recommendations, notably;
- The known 'static' Local Transport Plan capital grant settlement from the Department for Transport (DfT), thus providing the Council with a level of certainty on future funding would extend only to year 3 of the scheme;
 - Recent communications have shown that the DfT are looking to steer more towards "performance" influencing capital budget settlement £values with likely initial impact from 2024/25. It is not clear how this will work at present with a consultation to follow, but the risk is that DfT settlement decreases;
 - Conclusion of the current tranche of additional Council capital investment midway through the 4 year period, hence removing any ability to smooth out other grant funded budget changes;

- Members will still be able to roll budgets over to accrue or combine ward budgets to fund larger schemes but now over a longer period and hence the potential for observed underspends is greater if a large proportion of members choose to do this.
- The proposed 4 year period goes beyond current MTFS so will be subject to a further approval as part of the Council's budget setting for 2023/24.

Increased Value for Money

- 9.2.5. It should be noted that the revised approach is intended to make the ward budget scheme more efficient from a delivery perspective allowing earlier planning and programming of work, rather than the somewhat adhoc nature of the current system.
- 9.2.6. This will also enable the Council's delivery partners to make more effective use of funding via integration of the delivery of these smaller value works into larger programmes.

Budget Reallocation

- 9.2.7. Members are advised to note that due to the reasons contained at paragraph 7.10 there is a maximum £255k underspend from the first two years of the ward budget scheme.
- 9.2.8. As per recommendation at paragraph 3.2 of this report it is not proposed to roll these monies over in to 2023/24 and instead reallocate the maximum underspend to allow the final underspend value to be spent in full by March 2023. The following priority areas have been identified for this additional in year investment;

Level 2 carriageway repairs	£172k
Lining Work	£43k
Development and design for 20mph zones (aligned to emerging Speed Management Strategy 2022) -	£40k (fixed sum)

9.3. **Policy**

- 9.3.1. There are no policy related implications of this report other than those set out within.

9.4. **Equality**

- 9.4.1. There are no equality implications as a result of this report.

9.5. **Human Resources**

- 9.5.1. Existing staff resources within Cheshire East Highways will be used to manage and administer the proposed revised ward budget scheme, hence there are no human resource implications of this strategy.

9.6. **Risk Management**

- 9.6.1. The legal risks to the proposal for a revised ward budget scheme are set out under section 9.1 of this report.
- 9.6.2. The financial risks to the proposal for a revised ward budget scheme are set out under section 9.2 of this report.
- 9.6.3. The revised approach is designed to reduce delivery risks based on the ability to plan and programme work more effectively.

9.7. **Rural Communities**

- 9.7.1. There are no rural community impacts as a result of the content of this report.

9.8. **Children and Young People/Cared for Children**

- 9.8.1. There are no Children and Young People/Cared for Children impacts as a result of the content of this report.

9.9. **Public Health**

- 9.9.1. There are no public health impacts as a result of the content of this report.

9.10. **Climate Change**

9.10.1. There are no climate change impacts as a result of the content of this report.

Access to Information	
Contact Officer:	Tom Shuttleworth Interim Head of Highways tom.shuttleworth@cheshireeast.gov.uk
Appendices:	NA
Background Papers:	Ward Members Highways Budget Pilot Scheme – Update, Highways and Transport Committee report, 13 th January 2022 (pg 89-94 of agenda pack) (Public Pack)Agenda Document for Highways and Transport Committee, 13/01/2022 10:30 (cheshireeast.gov.uk) Full Council meeting minutes, 17 th February 2021 Minutes Template (cheshireeast.gov.uk)

Appendix 2

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Highways and Transport Committee** held on
Thursday, 22nd September, 2022 in the The Capesthorne Room -

Town Hall, Macclesfield SK10 1EA

PRESENT

Councillor C Browne (Chair)

Councillor L Crane (Vice-Chair)

Councillors S Akers Smith, M Benson, L Braithwaite, B Burkhill, H Faddes,
A Gage, L Gilbert, M Sewart, D Stockton, P Williams and B Puddicombe (for Cllr
Naismith)

Other Members present

Councillors J Clowes, T Dean, J P Findlow and M Goldsmith

Officers in attendance

Tom Moody, Director of Highways and Infrastructure

Tom Shuttleworth, Interim Head of Highways

Chris Hindle, Head of Infrastructure

Richard Hibbert, Head of Strategic Transport and Parking

Mandy Withington, Principal Lawyer

Samantha Oakden, Principal Accountant

Paul Mountford, Democratic Services

Apologies

Councillor C Naismith

The Chair welcomed Paul Mountford who was replacing Sarah Baxter as the
Democratic Services support officer for the Committee.

20 DECLARATIONS OF INTEREST

In the interests of openness and transparency, Councillor P Williams declared that he had made public comments in relation to the previous version of the speed management strategy but that this would not prejudice his consideration of the revised strategy on the agenda.

In the interests of openness and transparency, Councillor M Sewart declared that he had been a member of the task and finish group on flooding and flood risk management, whose report was to be considered later in the meeting.

21 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 21st July 2022 be approved as a correct record.

22 PUBLIC SPEAKING/OPEN SESSION

Mrs Jan Jennings referred to the speed of traffic and heavy vehicles using the A51 in the vicinity of Peter Destaplegh Way, Nantwich and the inadequate signage and narrow pavements at this location, which was impacting the lives of local residents. She called for a reduction in the 40 mph speed limit along this length of the A51.

The Chair responded that if the proposed speed management strategy due to be considered later in the meeting was approved, Mrs Jennings' request for a speed limit reduction could be considered within the strategy criteria.

Mr Nick Cheetham asked for consideration of the proposed speed management strategy to be deferred as he felt that the logic of the report was flawed and that the report did not adequately reflect the feedback from public consultation, particularly as regards 20 mph zones.

Mr David Mayers also asked for consideration of the proposed speed management strategy to be deferred as the report did not adequately address the need for 20 mph speed limits in residential and shopping areas of towns.

Mr Frank Mathers requested consideration by the Council of a reduction in the 40 mph speed limit on the A54 Holmes Chapel Road at Brereton Heath and Somerford, between the Davenport Methodist Church and the Somerford Equestrian Centre.

The Chair advised that if the speed management policy was approved later in the meeting, Mr Mathers would be able to take forward his request for consideration against that policy.

Councillor Ruth Thompson, Macclesfield Town Council, asked that the Committee defer consideration of the speed management strategy so that further consideration could be given to 20 mph areas. She said that there was evidence to show that 20 mph areas reduced accidents and injuries whilst achieving financial savings.

23 SPEED MANAGEMENT STRATEGY, VEHICLE RESTRAINT SYSTEM STRATEGY AND SKID RESISTANCE STRATEGY

The Committee considered a report recommending the adoption of the Cheshire East Speed Management Strategy, the Cheshire East Vehicle Restraint System Strategy and the Cheshire East Skid Resistance Strategy.

The Chair read out the written comments of Councillor R Bailey who had been unable to attend the meeting as a visiting member. Councillor Bailey asked the Committee to seek assurance that the speed management strategy took into account the needs of rural parishes and enabled support for speed indication devices (SIDs) and a uniform approach to speed management across the Borough.

Councillor J Clowes attended as a visiting member and, at the invitation of the Chair, spoke on behalf of residents of Hough and Shavington who were seeking a reduction in the speed limit on Newcastle Road to 30 mph to ensure the safety of children and elderly residents crossing the road. Councillor Clowes submitted a petition to the Democratic Services Officer as the petitions scheme did not allow the Committee itself to accept a petition under 5,000 signatures.

Councillor M Goldsmith attended as a visiting member and, at the invitation of the Chair, spoke in support of the speed management strategy.

It was moved and seconded that the recommendations in the report be approved subject to the addition of the following words to recommendation 3.5 on the basis

that this would give members oversight and greater understanding of the scheme prioritisation process within the speed management strategy:

‘The Director of Highways shall nominate a named position to have direct point of contact for member submission of speed assessment requests and authority over their subsequent prioritisation. A bimonthly list of the current prioritisation and any scheme(s) coming forward will be circulated to all committee members.’

The Chair emphasised that the three strategies were living documents capable of being reviewed by the Committee at a future date. He welcomed the fact that the prioritisation matrix within the speed management strategy gave greater weight to local concerns.

RESOLVED (unanimously)

That the Committee

1. approves that the Cheshire East Speed Management Strategy be adopted as policy and subsequently implemented operationally;
2. approves that the Vehicle Restraint Systems: Installation, Inspection and Maintenance Strategy be adopted as policy and subsequently implemented operationally;
3. approves that the Cheshire East Skid Resistance Strategy be adopted as policy and subsequently implemented operationally;
4. delegates authority to the Director of Highways and Infrastructure to make technical amendments to the Cheshire East Speed Management Strategy, the Vehicle Restraint Systems: Installation, Inspection and Maintenance Strategy and the Cheshire East Skid Resistance Strategy as required and to update the Highways and Transport Committee on any significant changes at a future meeting;
5. delegates authority to the Director of Highways and Infrastructure to amend/further develop the scheme prioritisation process for the Speed Management Strategy as required and to consider the need for changes to future investment programmes to reflect this process, any proposed changes to investment programmes to be reported to the Committee as part of the annual investment programme cycle. In addition, the Director of Highways and Infrastructure shall nominate a named position to have direct point of contact for member submission of speed assessment requests and authority over their subsequent prioritisation. A bi-monthly list of the current prioritisation and

any scheme(s) coming forward will be circulated to all members of the Committee; and

6. approves the use of Speed Indication Devices (SIDs) on the highway network in accordance with the approach as set out in the Speed Management Strategy.

24 NOTICE OF MOTION: 'SAFER SCHOOL STREETS'

The Committee considered a report in response to the Notice to Motion on Safer School Streets. The Motion was as follows:

'That Council creates a process that allows a Safer School Street to be created for all schools, where supported by those schools, which will provide a safer environment and enable children to walk and cycle to school safely.'

Councillor L Anderson attended the meeting as seconder of the Notice of Motion and spoke in its support.

Councillor S Akers Smith as proposer of the Notice of Motion, also spoke in its support.

In response to members' questions regarding school street schemes, officers clarified that:

- The reference to 'any class of traffic' within the road traffic legislation included cyclists.
- The road closures would be financed from within the Safe Travel to School budget, enhanced with developer contributions where available.
- The scheme would be enforced by trained volunteers, supported by suitable technological/engineering measures.

RESOLVED

That the Committee endorses the proposed response to the Notice of Motion as set out in the report, which will be made available on the Council's highways webpage.

25 IT'S NOT JUST WATER

The Committee considered a report highlighting the findings of the former Environment and Regeneration Overview and Scrutiny Committee's Working Group on flooding and flood risk management.

Councillor J P Findlow attended the meeting as Chair of the working group and presented the group's report, its findings and recommendations. Councillor T Dean also attended as a member of the working group and, at the Chair's invitation, spoke on the matter.

Members noted that some of the recommendations within the working group's report required additional funding which was not within the current budgetary framework. A further report to the Committee would therefore be required on which recommendations could be progressed in line with the MTFS.

RESOLVED (unanimously)

That the Committee

1. receives from the Task and Finish Group the report 'It's Not Just Water' as contained at Appendix A, relating to the important issue of effective flood risk management;
2. notes the recommendations of the report;
3. notes that some of the recommendations within the report 'It's Not Just Water' have financial implications that are not covered by the current MTFS;
4. notes that the proposals contained within the report require additional funding which is not within the current budgetary framework; and
5. invites the Executive Director Place to present a further report to a future meeting on what recommendations can be progressed in line with the MTFS.

(At this point, the meeting was adjourned for a five minute break.)

26 REVIEW OF HIGHWAYS WARD MEMBER BUDGET SCHEME

The Committee considered a report proposing a policy for a revised ward member budget scheme.

Councillor J Clowes attended as a visiting member and, at the invitation of the Chair, commented that members of single member wards were not able to pool their resources with others to provide something substantial for their local

community. She sought an assurance that funding could be carried forward to future years.

The Chair confirmed that the scheme provided that funding could be carried forward within the four-year period of operation in order to fund larger projects. He went on to advise, however, that if a significant number of members carried their funding forward to the final year (year 4), this could present capacity issues and some form of prioritisation would be necessary. Members could also use the funding as match-funding for any projects that parish councils wished to bring forward.

The new administration process would specifically offer the opportunity for Members to discuss their proposals with officers at an early stage. This would prevent wasted time and effort submitting applications to the scheme which were then rejected on the basis of non-policy compliance or being unaffordable.

The Chair welcomed the uplift in funding of £6,500 per member per year which, he said, would give individual members a greater level of influence over what work could be undertaken in their wards.

RESOLVED (unanimously)

That the Committee

1. approves that the following proposals be adopted as the new policy in relation to the ward member budget scheme:
 - (a) the annual budget per member be increased to £6,500 per annum;
 - (b) the revisions to how the scheme is administered, as set out under Section 8.1 of the report, be implemented; and
 - (c) the revised scheme operate for a fixed 4 year period with delivery commencing in April 2023; and
2. approves the re-allocation of a maximum of £255k underspend from the initial 2 year allocation to the ward budget scheme to those initiatives as listed under paragraph 9.2.8 of the report.

The Committee considered its work programme for 2022/23.

Officers reported the following changes to the work programme since its circulation with the agenda:

- The item 'Greenway Crossing of the River Dane' was to be rescheduled from November to January.
- A report on 'Bus Service Support Criteria' was now scheduled for November.
- An officer report on 'It's Not Just Water' would be scheduled for January.

Councillor L Crane highlighted that the consultation had now commenced on Idling Vehicle Engines which was due to be reported to the November meeting.

RESOLVED

That subject to the amendments and additional items reported at the meeting, the work programme be noted.

28 MINUTES OF SUB-COMMITTEES

RESOLVED

That the minutes of the meeting of the Public Rights of Way SubCommittee on 1st August 2022 be received.

29 REPORTING OF OFFICER DELEGATED DECISIONS

There were no officer delegated decisions to report.

The meeting commenced at 10.30 am and concluded at 12.43 pm

Councillor C Browne (Chair)



Working for a brighter future together

Audit and Governance Committee

Date of Meeting:	24 November 2022
Report Title:	Internal Audit Update Report Q1/Q2 2022/23
Report of:	Jane Burns, Executive Director Corporate Services
Report Reference No:	AG/37/21-22
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April and September 2022 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2022/23.
- 1.2. In addition to the update on work undertaken, a review of the Internal Charter has been undertaken and the updated version is received for approval.

2. Executive Summary

- 2.1. The report details work undertaken by Internal Audit during quarters 1 and 2 of 2022/23 along with details of performance against the audit plan and other indicators. It also sets out work underway at the end of the period along with planned work for the remainder of the financial year.
- 2.2. The report also seeks approval of the updated Internal Audit Charter.

3. Recommendations

- 3.1. That the Committee notes and considers the contents of the Internal Audit Update Report (Appendix A).
- 3.2. That the Committee approve the updated Internal Audit Charter (Appendix B).

4. Reasons for Recommendations

- 4.1. The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk) to regularly report on emerging issues in respect of the whole range of areas to be covered in the annual report.
- 4.2. In order to meet this requirement, the Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.
- 4.3. The Internal Audit Charter has been updated to ensure compliance with the PSIAS in relation to maintaining operational independence following the transfer of responsibility for information rights to the Head of Audit and Risk.

5. Other Options Considered

- 5.1. Not applicable.

6. Background

- 6.1. The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, "in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a 'no surprises' approach, as well as assist management in drafting the Annual Governance Statement".
- 6.2. The interim report contains the following:
 - 6.2.1. a summary of the audit work carried out in Q1 and Q2 2022/23
 - 6.2.2. comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets
 - 6.2.3. a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year
- 6.3. 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 Annual Governance Statement. 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.
- 6.4. It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.

- 6.5.** A report summarising the work undertaken, the issues identified, and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant Executive Director. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Corporate Leadership Team and the Committee.
- 6.6.** The Internal Audit Charter has been reviewed and updated to reflect that the Head of Audit and Risk is now responsible for the Information Rights team and sets out the arrangements and safeguards in place to protect the independence of Internal Audit following this change.

7. Implications

7.1. Legal

- 7.1.1.** All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 7.1.2.** The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

7.2. Finance

- 7.2.1.** In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 7.2.2.** The Internal Audit Plan 2022/23 was prepared, based on known resources, to cover the core areas of work required to deliver an annual audit opinion. Resource availability is subject to regular review as part of monitoring progress against the plan.
- 7.2.3.** If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

7.3. Policy

- 7.3.1.** There are no direct implications for policy.

7.4. Equality

7.4.1. There are no direct implications for equality.

7.5. Human Resources

7.5.1. There are no direct implications for human resources.

7.6. Risk Management

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

7.7. Rural Communities

7.7.1. There are no direct implications for rural communities.

7.8. Children and Young People/Cared for Children

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

7.9. Public Health

7.9.1. There are no direct implications for public health.

7.10. Climate Change

7.10.1. There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit and Risk Email: Josie.griffiths@cheshireeast.gov.uk Tel: (01270) 685860
Appendices:	Appendix A – Internal Audit Update Report Q1/Q2 2022/23 Appendix B – Internal Audit Charter
Background Papers:	N/A

Internal Audit Update Report April – September 2022

(2022/2023 Internal Audit Plan)

1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April - September 2022 contains “emerging issues in respect of the whole range of areas to be covered in the annual report”.
- 1.2. Internal Audit is required to form an annual opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues, and control failures which have been identified.

2. Summary of Audit Work to Date

- 2.1. During this period, audit work was undertaken on the whole of the control environment comprising risk management, key control and governance processes. This work comprised a mix of risk-based auditing, regularity, investigations and the provision of advice to officers. The following sections explain the variety of audit work undertaken to support the annual audit opinion.

Assurance Work

- 2.2. A summary of the final reports issued to the end of September 2022, by the audit assurance opinion given is included in **Table 1**. Reports issued to this point are similar to this point in the previous year; it is usual for the majority of the audit plan reports to be issued in the last half of the year.
- 2.3. Details of work in progress, covering draft reports issued for agreement with managers, fieldwork in progress and terms of reference stages, is covered in Table 6. It is anticipated that sufficient work in terms of quantity and coverage will be undertaken to deliver the annual opinion for 2022/23, with the number of final reports issued expected to be approaching the total number issued in 2021/22.
- 2.4. Figures relating to 2021/22 have been included in the table below to assist with comparison.

Table 1: Reports to date by assurance level

Assurance Level	2022/23 (to 30/09/2022)	2021/22 (to 30/09/2021)	2021/22 Full Year	2020/21 (to 30/09/2020)	2020/21 Full Year
Good	0	0	2	0	6
Satisfactory	2	2	4	0	4
Limited	2	2	8	0	3
No Assurance	1	0	1	0	0
Total	5	4	15	0	13

- 2.5. A summary comparison of coverage of the 2022/23 Audit Plan with actuals for the year to 30 September 2022 is shown in Table 2, with comments on variances.

Table 1: Summary Comparison of Audit Plan 2022/23 and Actuals

Area of Plan		Original Plan		Actuals (to 30/09/2022)		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1274		644		
Less: Corporate Work		152		73		
Available Audit Days:		1122	100%	571	100%	
Corporate Governance and Risk		112	10%	60	10%	
Anti-Fraud and Corruption	Proactive Work	45	4%	23	4%	
	Reactive Investigations	45	4%	5	1%	
Corporate Services		393	35%	206	36%	
Adults, Health & Integration		112	10%	76	13%	
Children's Services		112	10%	40	7%	
Place		90	8%	37	7%	
Providing Assurance to External Organisations		22	2%	11	2%	
Advice & Guidance		79	7%	29	5%	
Other Chargeable Work		112	10%	84	15%	Increased grants sign off
	Total Audit Days	1122	100%	571	100%	

- 2.6. Details of the reports produced to the end of September 2022 are included in Table 3, which includes details of the audit assurance opinion given in each report. Where the opinion given was Limited or No Assurance, a summary of key findings and actions has been provided.

Table 3: Summary of Final Assurance Reports 2022/23 to 30 September 2022

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
Deprivation of Liberty Safeguards - detailed follow up	Identified via Audit Plan	Satisfactory	All actions agreed	
Journey First	At the request of management to provide assurance on the operation of this ESF funded project that works with anyone over the age of 15 who face barriers into education, employment, or training	Satisfactory	All actions agreed	
ANSA – review of gritting arrangements	To seek assurance around the arrangements to manage gritting services	No Assurance	All actions agreed	<p>The review identified the following issues:</p> <ul style="list-style-type: none"> • Additional public highway gritting activities were undertaken without seeking advice or approval from the Council • Potential that this activity was not covered by the Council's insurers • Potential for challenge from Town and Parish Councils who have not received this service

Audit Report	Reason for Review	Audit Assurance Opinion	Management Response	Summary of Findings – (Limited /No Assurance Reports Only)
				<ul style="list-style-type: none"> • Delays in initiating gritting activity due to not having access to real time information • Gritting records did not contain sufficiently detailed information <p>It was recommended that the additional gritting activities on public highways are not continued.</p>
Gifts and Hospitality - Members	Identified via Audit Plan	Limited	All actions agreed	The review concluded that improvements could be made to the process but acknowledged that the updated Code of Conduct would address most of the issues raised.
Declarations of Interest - Members	Identified via Audit Plan	Limited	All actions agreed	The review concluded that improvements could be made to the process but acknowledged that the updated Code of Conduct would address most of the issues raised.

- 2.7. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 2.8. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal

Audit continues to obtain assurance that actions have been implemented, especially those deemed high priority.

- 2.9. It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 2.10. Where a final report is issued with a "Limited" or "No Assurance" opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 2.11. All actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and Final reports are shared with the relevant Executive Director and the Chief Executive.
- 2.12. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 2.13. The Audit Plan is subject to regular review to reflect the current resources available to the team. The team continue to employ a temporary Principal Auditor and it is hoped that a permanent Auditor post will be filled shortly to support the delivery of the school audit programme. With these additional resources it is anticipated that the team will complete sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2022/23.

Schools

- 2.14. 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.
- 2.15. The School's Audit Programme for 2022/23 will be agreed by both the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education and 14-19 Skills with discussions currently taking place to identify the specific areas to be reviewed.
- 2.16. The work is planned to be completed during quarters 3 and 4 of the current year and is timed to provide assurance to the Section 151 Officer and facilitate the signing of the Annual Assurance Statement in May 2023.

- 2.17. Individual reports are produced and issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment. School reports include an assurance opinion on the arrangements, in line with other audit reports.
- 2.18. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the “Schools Bulletin” and the “Director’s Report”.
- 2.19. Findings from all areas inform a consolidated schools report which provides assurance to the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education and 14-19 Skills.

Supporting Corporate Governance

- 2.20. In accordance with Regulation 6 of the Accounts and Audit Regulations 2015 the Council is required, each financial year, to conduct a review of the effectiveness of the system of internal control and publish an Annual Governance Statement (AGS).
- 2.21. During the first half of this financial year, and as previously reported in the 2021/22 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council’s AGS for 2021/22.
- 2.22. Audit and Governance Committee approved the Draft AGS 2021/22 at their September meeting, in line with statutory deadlines. The Final AGS 2021/22 will be presented to a future meeting of the Audit and Governance Committee along with the Statement of Accounts.

Counter Fraud and Investigations

- 2.23. Internal Audit has continued to keep abreast of the latest fraud threats, and where appropriate coordinated awareness raising via the Council’s social media streams.
- 2.24. Over recent months there has continued to be an increase across the country in attempted mandate fraud and executive impersonation fraud.
- 2.25. Mandate fraud occurs when fraudsters submit bogus requests to change the bank details of suppliers so that genuine payments intended for suppliers are instead paid to the fraudsters account. Executive impersonation fraud occurs when employees, usually in finance or payments teams, receive email communication purporting to be from very senior officers such as the Chief Executive or Finance Director of the organisation. These emails usually request that an urgent payment is made and that the usual checks and controls can be applied retrospectively. They rely on the employee feeling pressured to follow the instructions of a senior manager and are a form of social engineering.

- 2.26. In response to these threats, work has been undertaken in conjunction with the Transactional Service Centre to ensure that appropriate controls are in place to identify and prevent these attempts. This was particularly important given the move to remote working and whilst it is pleasing to note that appropriate controls were in place, awareness raising has taken place to ensure that officers are alert to these potential scams.
- 2.27. Internal Audit has coordinated the Council's participation in the biennial National Fraud Initiative (NFI) exercise and ensured that services have uploaded the required data sets in accordance with deadlines. Matches are expected to be received in January 2023 at which point services will be supported to investigate matches and record the results on the NFI website.
- 2.28. As previously reported, options for the development of a dedicated Counter Fraud resource as part of a wider review of the structure of internal audit had been paused to prioritise other work during the Covid-19 response. It is planned to revisit this during the second half of 2022/23 and further updates will be provided to the Audit and Governance Committee in due course.

Consultancy and Advice

- 2.29. 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.
- 2.30. In the year so far, advice and guidance has been provided on:
- Suspected scams and attempted frauds.
 - Design and application of controls in new/proposed systems.
 - Interpretation of Finance and Contract Procedure Rules.
- 2.31. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

Grant certifications

- 2.32. 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.
- 2.33. In 2022/23 to date, this has included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 2: Grants Certified during 2022/23 as at 30 September 2022

Grant Certified	Funding Body	Amount
Family Focus (year to date)	MHCLG	£145,600
CWLEP Growth Hub Grant	BEIS	£462,000
CWLEP Peer Network Grant	BEIS	£150,000
Bus Service Operators Grant	DfT	£347,865
Local Transport Capital Block Funding	DfT	£15,051,000
Energy Efficiency – Green Homes	BEIS	£1,523,750
Contain Outbreak Management (COVID)	DHSC	£11,195,670.48
Test and Trace Service Support (COVID)	DHSC	£1,533,331.15
Self-Isolation Support Payment (COVID)	DHSC	£2,213,620.60
COVID-19 Bus Service Support Grant	DfT	£1,219,984.52
Protect & Vaccinate (COVID)	DLUHC	£81,005
Total		£33,923,826.75

- 2.34. 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; grant funding conditions are set by the funding body, and it is this which determines the amount of testing and validation required to inform the sign off.
- 2.35. Over the past two years, the level of testing required to provide assurance that grants have been used in accordance with the grant conditions has increased. This is taking up an increasingly large amount of Internal Audit resource and in order to manage this demand, Internal Audit has coordinated a grant register that details the nature of each grant and any reporting and sign off details. Lead officers have been identified for each of the grants and work undertaken to ensure that all returns have been completed within deadlines. Work is continuing in this area to ensure that the Council is aware of all requirements and deadlines associated with the many grants that it receives and administers.

Work for Other Bodies

- 2.36. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.

- 2.37. Having carried out this work remotely during the pandemic, it was possible to return to an on-site audit for the current year. The outcome of the internal audit work is reported to the PATROL Committees directly and does not inform the annual internal audit opinion for Cheshire East Council.
- 2.38. The work was completed, and a report issued during June 2022.

Implementation of Audit Recommendations

- 2.39. Internal Audit continually carries out a range of follow up exercises to ensure 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.
 - Formal assurance audits: recommendations are monitored in line with our follow up process.
- 2.40. Audits with ‘limited’ or ‘no’ assurance are subject to more detailed review. In addition, key systems (e.g., Payroll, Accounts Payable) are audited on a regular, cyclical basis with recommendations followed up as part of the work.
- 2.41. The Committee have previously been advised of the work undertaken by Internal Audit, supported by senior management to raise the profile of audit recommendations. This has included the agreement of “SMART” recommendations and the inclusion of performance measures in the Corporate Scorecard. There has been a “pause” in the follow up of actions, created by the move away from traditional internal audit work to support the organisation’s response to Covid, but as our assurance work builds back up, we will ensure that managers and the Corporate Leadership Team have regular updates on the position of recommended actions.
- 2.42. The implementation of agreed recommendations for reports issued in 2020/21, 2021/22 and the current year to date is detailed in the table below.

Table 5: Implementation of agreed recommendations as at 30 September 2022

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2020/21				
100%	0%	100%	0%	0%
2021/22				
100%	0%	100%	0%	0%
2022/23				

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
100%	0%	100%	0%	0%

- 2.43. These high implementation figures over several years 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.
- 2.44. 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. It is pleasing to report that senior management have continued to support Internal Audit by challenging their service managers around implementation of actions.
- 2.45. 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.

Ongoing Work

- 2.46. The following audits were ongoing at the time of reporting:

Table 6: Ongoing Internal Audit Assignments as at 30 September 2022

Audit	Scope of Review	Status
Community Infrastructure Levy	To review the processes and controls around the requests, collection, management, implementation, and expenditure on CIL schemes.	Draft Report agreed but on hold pending completion of Section 106 audit
Safeguarding Children Partnership	To review the adequacy of funding and budget management arrangements of the partnership to ensure it meets statutory requirements of the partnership as defined in Working Together 2018.	Draft report with management to agree actions
School's Consolidated Report 2021/22	To report on the findings of the 2021/22 School Audit Programme	Draft Report being finalised
Gifts and Hospitality – Officers	To review the processes and controls in place to manage the officers register of gifts and hospitality	Delay in finalising report due to transfer of responsibility for the process

Declarations of Interest - Officers	To review the processes and controls in place to manage declarations of interest from officers.	Delay in finalising report due to transfer of responsibility for the process
Management of Commissioned Services	A review of the arrangements in place to manage the domiciliary care contract	Fieldwork underway
Adult Mental Health Professional Standards	To review the adequacy and effectiveness of the policies, systems and procedures in place to demonstrate compliance with the service standards and provide assurance that the Council's legal responsibilities are fulfilled	Fieldwork underway
Section 106	To review the arrangements for the agreement, collection, management, implementation and expenditure of S106 schemes, including the strategic oversight of the schemes.	Fieldwork underway
ERP Replacement – post implementation reviews	Work is ongoing to ensure that appropriate key controls are in place within the Unit 4 system. Additional work is also ongoing in relation to governance of business-as-usual activity.	Fieldwork ongoing
Accounts Payable	To review the use of Exception Payment Forms for raising payments and to ensure that this is appropriate and in accordance with policies and procedures	Terms of Reference being drafted
Use of Agency Workers	To ensure that the use of agency workers is subject to approval and that they are subject to the same policies and procedures as CEC employees	Terms of Reference being drafted
HR/Payroll	To examine and review the effectiveness of the arrangements in place for new starters, changes to contractual terms and leavers.	Terms of Reference being drafted

Table 7: Planned work not yet started

Audit	Scope of Review
Key Financial Systems	This will involve several reviews which will be agreed during quarter 3 and undertaken during quarter 4. It will cover key systems such as Council Tax, Non-Domestic Rates, Creditors, Debtors etc.
CWLEP	Completion of the internal audit plan for the Local Enterprise Partnership. This does not directly inform the Annual internal audit opinion and is undertaken as Cheshire East are the accountable body.
School Audit Programme 2022/23	A series of school audits undertaken to provide assurance to the Section 151 Officer and Director of Education as to the effectiveness of financial management within Cheshire East schools.
Debt Management and Recovery	To review the effectiveness of arrangements for the management and recovery of debt across the whole of the Council.

2.47. It is also possible that other, unplanned reviews may be undertaken at the request of management.

3. Internal Audit Performance

3.1. Internal Audit's performance is measured against a number of performance indicators which are detailed in Table 8.

3.2. The performance relating to the implementation of recommendations is detailed earlier in this report.

Table 8: Performance Indicators to date

Performance Indicator	2022/23 Actual	2022/23 Target	2021/22 Actual	Comments on 2022/23 Actuals
% of Audits completed to user's satisfaction	96%	95%	95%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target
Chargeable Time (Assurance Work)	88%	85%	78%	Above target
Draft report produced promptly (per Client Satisfaction Form)	95%	95%	90%	On target

4. Compliance with the Public Sector Internal Audit Standards

- 4.1. 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.
- 4.2. 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.
- 4.3. The self-assessment for 2022/23 is scheduled for completion within Quarter 4 and the results will be reported to the Committee following its completion.

Internal Audit

Internal Audit Charter

November 2022

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Document Control

Organisation	Cheshire East Council
Author	Josie Griffiths/Michael Todd
Subject	Internal Audit: Internal Audit Charter
Protective Marking	Official
Review Date	March 2024 or earlier if required.

Revision History

Revision Number	Reviser	Previous Version	Description of Revision	Date of Revision
1.0	JG	N/A	First Draft	December 2017
2.0	JG	1.0	Amendments required following external assessment report, plus additional content to improve quality of document.	October 2018
2.1	MT	2.0	Updated to reflect comments from CLT and provide greater clarity regarding responsibility of management.	February 2019
2.2	MT	2.1	Clarification of reporting lines for Head of Audit and Risk	February 2020
2.3	MT	2.2	Updated to reflect responsibility for the Information Rights team passing to the Head of Audit and Risk and the safeguards in place to maintain independence.	November 2022

Document Approvals

Board/Committee Approval	Date
Audit and Governance Committee	07/12/2017 (Version 1.0)
Audit and Governance Committee	14/03/2019 (Version 2.1)
Audit and Governance Committee	12/03/2020 (Version 2.2)

Associated Documentation

Public Sector Internal Audit Standards (2017)
 CIPFA: The Role of the Head of Internal Audit (2010)
 CIPFA: Practical Guidance for Audit Committees (2018)
 CIPFA: The Excellent Internal Auditor (2006)

Cheshire East Council – Constitution

1. Purpose of the Charter and Internal Audit's Mission

- 1.1. The Internal Audit Charter outlines the framework in which Cheshire East Council's internal audit service operates; defining its purpose, authority and responsibility and its obligations to meet the Public Sector Internal Audit Standards (PSIAS). The charter sets out Internal Audit's position within the organisation, and the arrangements for functional and administrative reporting.
- 1.2. The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.
- 1.3. Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of Cheshire East Council. It assists the Council in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.
- 1.4. The Internal Audit Charter will be subject to periodic review by the Head of Audit and Risk, as Chief Audit Executive, and presented to the Corporate Leadership Team and the Audit and Governance Committee for approval.

2. Statutory Basis

- 2.1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which states that a relevant body must:

‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
- 2.2. In addition, the need for an internal audit function is implied by Section 151 of the Local Government Act 1972, which states that local authorities are required to “make arrangements for the proper administration of their financial affairs”.
- 2.3. The standards in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2017 [‘the Standards’].
- 2.4. The Council's Constitution establishes Internal Audit's role and rights of access as required in carrying out any engagement.

3. Definitions

- 3.1. For the purpose of this Charter, the following definitions of terms used in the Standards apply;

Board

The Council's Audit and Governance Committee

Chief Audit Executive

The Role of the Chief Audit Executive is undertaken by the Head of Audit and Risk

Senior Management

Senior Management is defined as the Corporate Leadership Team

Management

Management is defined as Heads of Service

Section 151 Officer

The Section 151 Officer is required to ensure that appropriate arrangements are made for the provision of an internal audit service in accordance with the requirements of the Accounts and Audit Regulations 2015

Monitoring Officer

The Council's Director of Governance and Compliance Services has the role of Monitoring Officer.

4. Ethics and Professionalism

- 4.1. Internal Audit will govern itself by adherence to 'the Standards'. The mandatory Standards constitute the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of Internal Audit's performance.
- 4.2. The Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN) will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to Cheshire East Council's relevant policies and procedures and the Internal Audit Manual.
- 4.3. Internal audit staff must adhere to the Code of Ethics established by the Standards and adopted by the Council (Appendix A). Internal Audit officers are also governed by the ethical codes of the professional bodies to which they belong, and to the Council's Code of Conduct for all employees.

- 4.4. The Internal Audit officers are reminded of the need to comply with the Code of Ethics on an annual basis, and complete a Code of Ethics declaration form on an annual basis. Staff are also required to declare any real or perceived impairment to their independence in undertaking any specific engagements.
- 4.5. The Standards outline ten Core Principles for internal audit activity, which must be achieved in order to demonstrate the effective operation of the internal audit function;
- Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence
 - Aligns with the strategies, objectives and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk based assurance
 - Is insightful, proactive and future focused
 - Promotes organisational improvement
- 4.6. The arrangements set out in this Charter demonstrate how the Council's Internal Audit Service meets these core principles.

5. Authority, Independence and Objectivity

- 5.1. Internal Audit, in accordance with the Accounts and Audit Regulations, the Council's Constitution and with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access, without necessarily giving prior notice, to any and all of Cheshire East Council's records, physical properties, and personnel pertinent to carrying out any engagement, or other matters under investigation.
- 5.2. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.
- 5.3. Where the Council works in partnership with other organisations, or undertakes work for other organisations, the role of Internal Audit and its rights of access should be set down in the relevant partnership agreements, and where not specified, should be agreed in advance by discussion with partners.
- 5.4. The Head of Audit and Risk has direct access to the Council's Chief Executive, all levels of management, the Chair of the Audit and Governance Committee and the Leader of the Council.
- 5.5. Internal Audit will also have free and unrestricted access to the Audit and Governance Committee.

- 5.6. Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The Head of Audit and Risk has a duty under the Standards to disclose any such interference and its implications to the Audit and Governance Committee.
- 5.7. The Head of Audit and Risk has operational responsibility for the following areas in addition to Internal Audit:
- Risk Management and Business Continuity
 - Insurance
 - Health and Safety
 - Information Rights
- 5.8. Any assurance activity in those areas where the Head of Audit and Risk has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Director of Governance and Compliance, thus maintaining independence and objectivity in line with the 'the Standards'.
- 5.9. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 5.10. The Head of Audit and Risk will confirm to the Audit and Governance Committee, at least annually, the organisational independence of Internal Audit.

6. Organisation

- 6.1. The Head of Audit and Risk will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Director of Governance and Compliance.
- 6.2. The Director of Governance and Compliance will be responsible for ensuring that the Head of Audit and Risk is managed in accordance with the Council's HR Policies and Procedures.
- 6.3. In order to safeguard the independence of the Head of Audit and Risk, and to ensure that remuneration and performance assessments are not inappropriately influenced by those subject to audit, the Chief Executive will provide feedback to, and countersign the performance appraisal of the Head

of Audit and Risk. Feedback will also be sought from the Chair of the Audit and Governance Committee.

- 6.4. The Head of Audit and Risk will have free and unfettered access to the Chief Executive, who carries the responsibility for the proper management of the Council and ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.5. The Head of Audit and Risk has direct access to the Council's Monitoring Officer where matters arise relating to responsibilities of the Chief Executive, legality, and standards.
- 6.6. The Head of Audit and Risk will communicate and interact directly with the Chair of the Audit and Governance, or other elected Members of the Council, particularly those who serve on committees charged with governance (for example, the Audit and Governance Committee).
- 6.7. The resources required by the Internal Audit function, including staffing of the team, is determined by the Internal Audit Plan, and is subject to ongoing review and consideration by the Head of Audit and Risk to ensure it remains adequate to deliver an effective service and an annual opinion. The Audit and Governance Committee will be advised by the Head of Audit and Risk should the level of audit resources available in any way limit the Internal Audit service's ability to deliver a service consistent with its statutory requirements.

7. Responsibilities

- 7.1. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.
- 7.2. The Head of Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 7.3. Under the Accounts and Audit Regulations, the Council is responsible for ensuring that it has a sound system of internal control, which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensure that the financial and operational management of the

authority is effective and includes effective arrangements for the management of risk.

- 7.4. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The provision of assurance is, therefore, the primary role for internal audit. The nature of assurance work undertaken will include;
- All council systems, processes, policies, plans and procedures
 - Use of, and the safeguarding of, resources and assets, including information.
 - Governance and risk management processes
 - Commissioning and procurement
 - Projects and programmes
- 7.5. Internal Audit may also undertake non-assurance work including fraud related and consultancy work, at the request of the organisation, and work for other bodies, subject to there being no impact on the core assurance work and the availability of skills and resources (*see later sections*). External assurance work will result in an assurance report containing recommendations, to the organisation's senior management and Board.
- 7.6. The Head of Audit and Risk will be made aware of major new systems and proposed initiatives. The Head of Audit and Risk will consider what, if any, audit work needs to be done to help ensure risks are properly identified and evaluated and appropriate controls built in.
- 7.7. Audit advice is given without prejudicing the right of Internal Audit to review and recommend further action on the relevant policies, procedures, controls and operation at a later date.
- 7.8. It should be noted that the existence of Internal Audit does not diminish management's responsibility to establish systems of internal control to ensure that activities are conducted in a manner which promotes the economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 7.9. Responsibility for responding to the advice and recommendations made by the Internal Audit service lies with Management who should either accept and implement the advice, or accept the risks associated with not taking action.
- 7.10. The Audit and Governance Committee will:
- Approve the Internal Audit Charter
 - Approve the risk based annual internal audit plan.

- Receive communications from the Head of Audit and Risk on Internal Audit's performance relative to its plan and other matters.
- Make appropriate enquiries of management and the Head of Audit and Risk to determine whether there is inappropriate scope or resource limitations.
- Receive the Annual Internal Audit Report

8. Internal Audit's role in Consultancy Work

8.1. The Standards define consultancy services as

"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."

8.2. Cheshire East Council's Internal Audit Plan will identify which engagements fall within this definition. The scope of any consultancy work will be agreed with Management and will only be undertaken where resources allow and not to the detriment of the annual audit assurance process. When carried out, consultancy work will inform the annual opinion. In line with the Standards, agreement will be sought from the Audit and Governance Committee before any significant unplanned consultancy work is accepted.

9. Internal Audit's role in Fraud Related Work

- 9.1. Managing the risk of fraud and corruption is the responsibility of Management although Internal Audit will assist in the discharge of this responsibility. The process of internal audit alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected, however, internal audit staff will be alert in all engagements to risks which could increase the likelihood of fraud and corruption occurring.
- 9.2. The Head of Audit and Risk will be informed of all suspected or detected fraud, corruption or impropriety to inform their opinion on the internal control environment and Internal Audit's work programme.
- 9.3. At the request of Management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud and corruption. This will be subject to there being no impact on the core assurance work and the availability of skills and resources.

10. Internal Audit Plan

- 10.1. At least annually, the Head of Audit and Risk will submit to the Corporate Leadership Team and the Audit and Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year.
- 10.2. The Head of Audit and Risk will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit and Governance Committee. In the event that the audit plan identifies a need for further audit work to be carried out than existing resource allows, the Head of Audit and Risk will identify the shortfall, and advise the Chief Executive, the Corporate Leadership Team and the Audit and Governance Committee as necessary to assess the associated risks, and to recommend additional resources are identified.
- 10.3. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Corporate Leadership Team and the Audit and Governance Committee.
- 10.4. The Head of Audit and Risk will review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Corporate Leadership Team and the Audit and Governance Committee through periodic activity reports.

11. Reporting and Monitoring

- 11.1. A written report will be prepared and issued by the Head of Audit and Risk or designee following the conclusion of most internal audit assignments and will be distributed as appropriate. Draft reports will be issued in the first instance to the responsible manager to agree the factual accuracy of findings. Final reports will be issued to Heads of Service, Directors and Executive Directors to ensure oversight of findings and recommended actions. Summary findings will also be communicated to the Audit and Governance Committee where a Limited Assurance or No Assurance opinion is given.
- 11.2. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for the

anticipated completion of any action to be taken and an explanation for any corrective action that will not be implemented.

- 11.3. Where a responsible manager does not agree with a finding, or wishes to implement an action which Internal Audit believe will not fully mitigate the risk or issue identified, Internal Audit will, where necessary, escalate this to a manager within the organisation who is sufficiently senior to accept the level of risk exposure associated with the decision.
- 11.4. Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations.
- 11.5. The Head of Audit and Risk will periodically report to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters required or requested by the Corporate Leadership Team and the Audit and Governance Committee.
- 11.6. In line with 'the Standards', the Annual Internal Audit Report prepared for the Audit and Governance Committee will incorporate the annual internal audit opinion, which will inform the Annual Governance Statement. The annual opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control, and the report should explain the assurances considered in arriving at the opinion. The annual report should also include a statement on conformance with 'the Standards' and the results of the Quality Assurance and Improvement Programme.

12. Quality Assurance and Improvement Programme

- 12.1. Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of Internal Audit's conformance with the Definition of Internal Auditing and 'the Standards' and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.
- 12.2. The Head of Audit and Risk will communicate to the Corporate Leadership Team and the Audit and Governance Committee on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

Internal Audit - Code of Ethics

The Code of Ethics contained in section 6 of the Public Sector Internal Audit standards (2017) (PSIAS) promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

1. Introduction

- 1.1 Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out at section 6 of the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk.
- 1.2 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. A Code of Ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.
- 1.3 The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

- 1 Principles that are relevant to the profession and practice of internal auditing.
 - 2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.
- 1.4 The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members; members of the Relevant Internal Audit Standard Setters; and those who provide internal auditing services within the definition of internal auditing.
 - 1.5 The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

2. Applicability and Enforcement

- 2.1 This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.
- 2.2 This Code of Ethics sets the minimum standards for the performance and conduct of internal audit staff (including any persons provided by any external organisation to deliver any of the audit service). It is intended to clarify the standards of conduct expected by the Council from internal auditors when carrying out their duties.
- 2.3 This code does not supersede or replace the requirement on individuals to comply with ethical codes issued by professional institutes of which they are members or students nor any organisational codes of ethics or conduct.
- 2.4 Neither does it supersede or override any of the internal policies of Cheshire East Council. In the event of any conflict, those internal policies shall apply.
- 2.5 Each person undertaking internal audit duties on behalf of the Council will be required to sign the attached statement and make any relevant declarations on an annual basis.
- 2.6 There are four main principles:
- Integrity
 - Objectivity
 - Confidentiality
 - Competency

3. Integrity

3.1 Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

3.2 Rules of Conduct

Internal auditors:

- Shall perform their work with honesty, diligence and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

4. Objectivity

4.1 Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

4.2 Rules of Conduct

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- Shall not accept anything that may impair or be presumed to impair their professional judgement.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

5. Confidentiality

5.1 Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

5.2 Rules of Conduct

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

6. Competency

6.1 Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

6.2 Rules of Conduct

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- Shall continually improve their proficiency and effectiveness and quality of their services.

7. Achieving compliance with this code

- 7.1 On an annual basis, internal auditors must sign an undertaking, which confirms that they are fully conversant with their ethical responsibilities and will comply fully with these requirements when discharging their day-to-day duties.

8. Maintaining audit independence

- 8.1 Internal audit staff must declare potential conflicts of interest on an annual basis or as they arise, so as to avoid staff being assigned to work in areas where their independence may be comprised.
- 8.2 Internal auditors will not be permitted to carry out audits in an area where they have had previous operational roles within the preceding 12 months.
- 8.3 The Head of Audit and Risk will receive all declarations made by internal auditors and will ensure that this information is taken into account when audit work is allocated to individuals.
- 8.4 The Head of Audit and Risk's declarations will be submitted to the Director of Governance and Compliance.
- 8.5 The Head of Audit and Risk will ensure that audit assignments are properly rotated within the audit team in order to avoid lack of objectivity or complacency due to familiarity and to encourage development of experience within the team.

9. Securing integrity

- 9.1 Quality control processes exist within the audit service to identify whether team members are acting with integrity.

10. Demonstrating competence

- 10.1 All internal auditors must be aware of and understand:
- The Council's aims, objectives, risk and governance arrangements;
 - The purpose, risks and issues affecting the area/activity to be audited;
 - The terms of reference for the audit assignment to ensure a proper appreciation of the scope of the review,

- Relevant legislation and other regulatory arrangements that relate to the area/activity to be audited, including the Council's Finance and Contract Procedure Rules, third party agreements, internal strategies, policies, procedural notes.

11. Observing confidentiality

- 11.1 A breach of confidentiality by an internal auditor may result in appropriate disciplinary action being taken.

Annual Declaration

I have read the Public Sector Internal Audit Standards (PSIAS), adopted by Cheshire East Council which set out at section 6 the Code of Ethics for Internal Audit staff. I understand that I am required to conform to the PSIAS Code of Ethics and to demonstrate integrity, objectivity, competence and confidentiality in the discharge of my duties at the Council, as outlined therein. I acknowledge those responsibilities and will fully comply with these requirements whilst working for the Council.

I understand that this Code of Ethics does not supersede nor override:

- the requirement placed upon me to comply with ethical codes issued by the professional institute to which I belong, where applicable.
- any other internal policies of the Council and in the event of a conflict those internal policies shall apply.

I confirm that I have declared:

- any conflicts of interests which could adversely affect my independence and objectivity.
- any areas of the Council in which I have held an operational role within the preceding 12 months.
- any relatives or close associates who are either employed by or are a Councillor of Cheshire East Council.
- the nature of any involvement in organisations that provide goods or services to, or have some other kind of formal arrangement with the Council.

I am aware of and understand that I must be conversant with:

- The Council's aims, objectives, risk and governance arrangements;
- The purpose, risks and issues affecting the area/activity to be audited;
- The terms of reference for audit projects assigned to me;
- The relevant legislation and other regulatory arrangements that relate to the area/activity to be audited, including the Council's Finance and Contract Procedure Rules, third party agreements, internal strategies, policies, procedural notes.

Signed:

Name (to be printed):

Date:

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Working for a brighter future together

Audit and Governance Committee

Date of Meeting:	24 th November 2022
Report Title:	Audit Progress Report 2021/22 and Auditor appointments for 2023/24 to 2027/28
Report of:	Alex Thompson, Director of Finance & Customer Services
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. The Audit Progress Report summarises the progress to date on both the 2020/21 and 2021/22 Audits and will be presented to the Committee by Mazars, the Council's external auditors.
- 1.2. The report also provides an update to the Committee on the outcome of the Public Sector Audit Appointments (PSAA) exercise for the appointment of the Council's auditors from 2023/24 to 2027/28. This report contributes to the Council's strategic objective of being an open and fair organisation.

2. Executive Summary

- 2.1 The Audit Progress Report summarises the progress to date on the key areas of the 2020/21 and 2021/22 audit work and identifies areas of work that is still outstanding at the time of this meeting.
- 2.2 There is also an update on the PSAA's invitation of "opting in" to the sector led appointment of our external auditors from 2023/24 to 2027/28.

3. Recommendations

- 3.1 To note the Audit Progress Report of Mazars relating to the accounts for the years ending 31st March 2021 and 31st March 2022.
- 2.2 To note that Mazars have been appointed as the Council's auditors for the next five years from 2023/24 to 2027/28.

3. Reasons for Recommendations

- 3.1.** The appointed auditors are required to report to those charged with governance. The Audit Progress Report presents the current position on the audit work to date for both 2020/21 and 2021/22 financial years.
- 3.2** To inform the Committee of the outcome of the PSAA procurement exercise to appoint the Council's auditors for the period 2023/24 to 2027/28.

4. Other Options Considered

- 4.1.** Not Applicable

5. Background

- 5.1.** The auditors are responsible for giving an opinion on:
- Whether the accounts give a true and fair view of the financial position of the the Council and the Group and of the Council's and the Group's expenditure and income for each financial year ending 31st March;
 - Whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
- 5.2** There is a requirement under the Local Audit and Accountability Act 2014 for all local government and NHS bodies in England to locally appoint their external auditors.
- 5.3** The Committee approved a recommendation at the meeting held on the 25th November 2021 to "opt in" to the invitation from the PSAA to join the sector led option to appoint the external auditors for the period 2023/24 to 2027/28.
- 5.4** As a result of the process carried out by the PSAA, Mazars have been appointed as the Council's auditors for the next five years from 2023/24 to 2027/28.

6. Consultation and Engagement

- 6.1.** In accordance with the Accounts and Audit (amendment) Regulations 2022 (SI 2021/263) the accounts were made available for public inspection between 1st August to 12th September 2022.

7. Implications

7.1. Legal

7.1.1. There are no legal implications identified.

7.2. Finance

7.2.1. As covered in the report.

7.3. Policy

7.3.1. There are no policy implications identified.

7.4. Equality

7.4.1. There are no equality implications identified.

7.5. Human Resources

7.5.1. There are no human resource implications identified.

7.6. Risk Management

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

7.7. Rural Communities

7.7.1. There are no direct implications for rural communities.

7.8. Children and Young People/Cared for Children

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

7.9. Public Health

7.9.1. There are no direct implications for public health.

7.10. Climate Change

7.10.1. There are no direct implications for climate change.

Access to Information	
Contact Officer:	Paul Goodwin Paul.Goodwin@cheshireast.gov.uk 01270 686185/07824 545431
Appendices:	Audit Progress Report for 2020/21 & 2021/22
Background Papers:	Statement of Accounts for 2020/21 & 2021/22

External Audit Progress Report (DRAFT)

Cheshire East Council

Audit and Governance Committee

November 2022



1. Audit progress
2. National publications

01

Section 01: **Audit progress**

Audit Progress

Purpose of this report

This report provides Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

Audit progress

Audit of the 2020/21 Statement of Accounts

Committee members will recall, from previous external audit progress reports to this Committee, the ongoing accounting issue in relation to infrastructure assets. CIPFA had highlighted that there were differences nationally in the way councils have been accounting for infrastructure assets and compliance with the requirements of the Code of Practice on Local Authority Accounting (the Code). The value of the Council's Infrastructure Assets is £425m and it is likely therefore that the impact of any aspects of the Council's accounting that may not be compliant with the Code (as currently drafted), would be material.

CIPFA established a Task and Finish Group to consider this matter further and to identify a potential solution including a potentially a change to the Code. Consultation took place in the summer of 2022 but CIPFA was not able to agree its proposed accounting solution. To unlock the situation, the Government consulted, in November 2022, on an optional temporary Statutory Override to allow councils to prepare accounts that are materially correct. The indicative date when this Statutory Instrument could take effect is 25 December 2022.

Once the statutory override is in place, we will work with Management to understand the impact on the Council's accounts and to undertake the required audit work as soon as possible in the new calendar year.

2020/21 Whole of Government Accounts (WGA) work

Our work in relation to whole of the government accounts (WGA) for 2020/21 remains outstanding. We will complete this once the audit of the financial statements can be concluded (see comments above).

2020/21 Value for Money work

We plan to complete and report our Value for Money (VFM) arrangements work for 2020/21 at the same time that we conclude our annual accounts work

Audit of the 2021/22 Statement of Accounts

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. As with 2020/21, we await the resolution of the accounting for infrastructure assets issue highlighted above. In addition to this national issue (which is outside of the Council's and our control), at the time of preparing this report the following limited areas of our audit remain outstanding (see next slide).

Audit Progress

Audit of the 2021/22 Statement of Accounts (continued)

Audit area	Description of the outstanding matter
PPE and investment properties	Subsequent audit queries in relation to evidences provided in support of the valuation of a small number of sampled assets.
Journals	Review of information provided to demonstrate completeness of the general ledger listing.
Operating expenditure (including cut off)	Review of information provided in support of the remaining items of operating expenditure (including cut off) subject to sample testing.
Exit Packages	We are awaiting supporting information for one item selected for sample testing.
Leases	Subsequent audit queries for one lease item subject to sample testing.
IT General Control testing	We are awaiting information on number of IT general control areas.
Group accounts	Review of information provided in relation to support for payroll samples with regards ANSA Environmental Services Ltd testing.

2021/22 Value for Money work

We plan to complete and report our VFM arrangements work for 2021/22 shortly after providing our audit opinion on the 2021/22 Accounts (noting that the National Audit Office requires us to report our VFM work within three months of the audit report on the financial statements).

Section 02: **National publications**

National publications

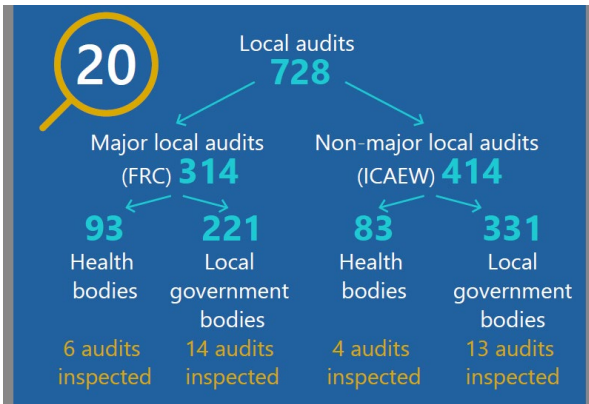
	Publication/update	Key points
Financial Reporting Council (FRC)		
1	Major Local Audits	Summary of Audit Quality Inspection report 2022
Chartered Institute of Public Finance and Accountability (CIPFA)		
2	CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23	Code of Practice for 2022/23 financial statements
Department for Levelling Up, Housing and Communities		
3	Guidance on flexible use of capital receipts	Updated guidance on the type of projects that qualify for the capital receipts flexibility programme 2022-2025
4	Better Care Fund planning requirements 2022-23	Planning requirements for local authorities for the BCF 2022/23 year
National Audit Office (NAO)		
5	Improving government data: A guide for senior leaders	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
6	Consultation on 2022/23 scale of audit fees	Consultation document

Financial Reporting Council's report on local audit quality

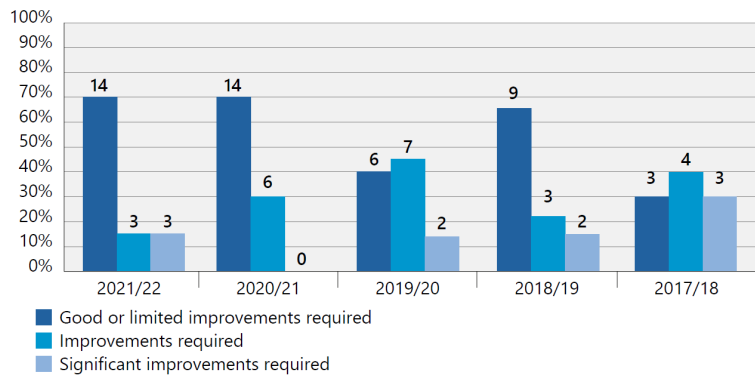
1. FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	314		20



All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

NATIONAL PUBLICATIONS

CIPFA

2. CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23, July 2022

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2022/23 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2022.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements. Changes include:

- clarifying and expanding the applicability of the Code to Welsh authorities and bodies including corporate joint committees
- amendments to clarify the treatment of social benefits
- provisions which allow local authorities to account for leases in accordance with IAS 17, while also offering the option for local authorities to choose to adopt IFRS 16 on a voluntary basis. Where the latter option is taken, service concession arrangement liabilities must also be measured in accordance with the measurement requirements of IFRS 16.

The Code sets out the relevant requirements on local authority accounting including material developed as a result of an exceptional consultation which explored options which might help alleviate pressures on the timetable for publication and audit of local authority financial statements. However, preparers should be aware that further consultation has been undertaken in relation to accounting for infrastructure assets, and this may result in amendments and updates being made to this edition of the Code and potentially other earlier editions of the Code.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202223-online>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

3. Guidance on flexible use of capital receipts, August 2022

This is an updated direction and statutory guidance to extend the freedom for local authorities to use eligible capital receipts to fund the revenue costs of projects that deliver ongoing savings or improved efficiency. This direction revokes and replaces the direction of the same name issued on 4 April 2022.

Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs. The direction introduces a new restriction that authorities may not use the flexibility to fund discretionary redundancy payments, i.e. those not necessarily incurred under statute. This does not affect other types of severance payments and, to be clear, does not restrict, including pension strain costs, which may still be qualifying expenditure.

The direction allows authorities to use the proceeds from asset sales to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services. This is an extension of the flexibility that has been in place since 2016, and will allow this freedom to continue to 2024/25 to help authorities plan for the long-term.

This direction clarifies that the capital receipts obtained must be disposals by the local authority outside the “group” structure.

As introduced in the direction issued on 4 April 2022, this direction includes the requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority’s own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, the information must be sent to ensure transparency and allow proper monitoring by central government.

<https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts>

4. Better Care Fund planning requirements 2022-23, July 2022

The Better Care Fund (BCF) planning requirements set out details of the requirements that BCF plans must meet. They apply to both integrated care boards and local authorities, and they are published jointly with the Local Government Association.

<https://www.england.nhs.uk/publication/better-care-fund-planning-requirements-2022-23/>

NATIONAL PUBLICATIONS

National Audit Office

5. Improving government data: A guide for senior leaders, July 2022

This guide is for senior leaders responsible for delivering government services. The NAO's aim is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past.

The guide focuses on data to support the operational delivery of public services, but the NAO intends that much of their guide will also be relevant to data for decision-making and to improve performance.

The guide discusses overcoming barriers in data sharing, data quality, data standards, resourcing, access to raw data and APIs (application programming interfaces), creating cross-government data sets for multiple users, data analytics.

[Improving government data: A guide for senior leaders - National Audit Office \(NAO\) insight](#)

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

6. Consultation on 2022/23 scale of audit fees, August 2022

PSAA is consulting on the fee scale for 2022/23 audits. This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23. Audit work under the proposed 2022/23 fee scale will largely be undertaken from autumn 2023 onwards.

This fee scale consultation is separate from the procurement exercise PSAA is currently undertaking for audit contracts that will apply for the next five years, for audits from 2023/24. Audit work under the new contracts will take place from 2024 onwards. Any audit fee implications arising from the results of the procurement will be covered by our consultation on the 2023/24 fee scale in twelve months' time.

Consultees will be aware that auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These changes have resulted in significant tensions and pressures in the wider audit market and profession and have led to a series of government-commissioned reviews of audit and audit regulation. The Department for Levelling Up Housing and Communities (DLUHC) has announced a range of measures to be implemented to address the issues identified in the local audit framework specifically. These include a new system leader role to be discharged by a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established under future legislation.

This consultation on the 2022/23 fee scale is taking place in the context of these pressures and changes. The consultation explains how PSAA proposes to calculate the audit fees which will make up the 2022/23 fee scale, managing the impact of three key elements:

- fee variations approved in relation to 2019/20 and 2020/21 audit work which relate to recurrent audit work that is needed in subsequent audit years;
- changes in local audit requirements; and
- the impact of changes in inflation.

The consultation will close on Friday 30 September 2022.

<https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

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Audit & Governance Committee Work Programme Committee – 2022/23

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
AG/32/21-22		Annual Audit Letter 2020/21	Summary of the External Audit findings from the 2020/21 audit. The letter will also confirm the final audit fee	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/16/21-22		VFM report from External Auditors	To receive the Value for Money report from the External Auditors in relation to the 2020/21 Statement of Accounts.	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
HT/42/22-23	22 Sep 2022	Review of Ward Member Budget scheme	To review the effectiveness of the new ward member budget scheme.	Director of Infrastructure and Highways	N/A.	No.	TBC.	Welcoming, safe and clean neighbourhoods	No.
AG/28/21-22	24 Nov 2022	Draft Conflict of Interest Policy	To consider the Draft Conflict of Interest Policy following the adoption of the Code of Conduct.	Director of Governance and Compliance (Monitoring Officer)		TBC	TBC	Ensure that there is transparency in all aspects of council decision making	No
AG/37/21-22	24 Nov 2022	Internal Audit Plan 2022/23	To receive a progress update on the Internal Audit Plan 2022/23	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
AG/35/21-22	24 Nov 2022	Final Annual Governance Statement	To review the final version of the Audit and Governance Annual Governance Statement 2021/22 for approval.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/39/21-22	24 Nov 2022	Final Statement of Accounts	To consider the Final Statement of Accounts.	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/37/21-22	24 Nov 2022	Internal Audit Plan 2022/23	To receive a progress update on the Internal Audit Plan 2022/23.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/22/21-22	24 Nov 2022	Risk Management Update	To update the Committee on Risk Management and Business Continuity activity in the Council.	Executive Director Corporate Services				Ensure that there is transparency in all aspects of council decision making	
AG/25/21-22	24 Nov 2022	Standing Item: Compliance with Contract Procedure Rules	To update the Committee on Waivers and Non-Adherences (WARNs)	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/26/21-22	24 Nov 2022	Standing Item: Compliance with Contract Procedure Rules: PART TWO	To update the Committee on Waivers and Non-Adherences (WARNs): PART TWO	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
AG/21/21-22	24 Nov 2022	Standing Item: Upheld Complaints to the Local Government Ombudsman	To consider the decision notices issued by the Local Government Ombudsman	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/24/21-22	24 Nov 2022	Standing Item: Work Programme 2022/23	To consider the Committees Work Programme.	Executive Director Corporate Services				Ensure that there is transparency in all aspects of council decision making	
AG/15/21-22	9 Mar 2023	Whistleblowing Policy	To consider the Whistleblowing Policy and recommend to Council for approval.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/43/21-22	9 Mar 2023	Audit & Governance Committee Self-Assessment	To approve the adoption of the new CIPFA Code and the annual self-assessment.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/1/21-22	9 Mar 2023	Annual Audit Letter 2021/22	Summary of the External Audit findings from the 2021/22 audit. The letter will also confirm the final audit fee.	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
AG/36/21-22	9 Mar 2023	Annual Governance Statement Progress Update	Update on actions to improve governance arrangements and respond to emerging issues identified in the 2021/22 Annual Governance Statement. Proposed process for the production of the 2022/23 Annual Governance Statement.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/45/21-22	9 Mar 2023	Certification of Claims and Returns 2021/22	To review the Certification of Claims and Returns 2021/22.	Director of Finance and Customer Services (s151 Officer)		N/A	N/A	Ensure that there is transparency in all aspects of council decision making	N/A
AG/17/21-22	9 Mar 2023	External Audit 2021/22 Progress Report	To receive an update from the Council's External Auditors in relation to the 2021/22 external audit report to minimise risk and time slippage	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/22/21-22	9 Mar 2023	Risk Management Update	To update the Committee on Risk Management and Business Continuity activity in the Council.	Executive Director Corporate Services				Ensure that there is transparency in all aspects of council decision making	
AG/25/21-22	9 Mar 2023	Standing Item: Compliance with Contract Procedure Rules	To update the Committee on Waivers and Non-Adherences (WARNs).	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
AG/26/21-22	9 Mar 2023	Standing Item: Compliance with Contract Procedure Rules: PART TWO	To update the Committee on Waivers and Non-Adherences (WARNs): PART TWO	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/21/21-22	9 Mar 2023	Standing Item: Upheld Complaints to the Local Government Ombudsman	To consider the decision notices issued by the Local Government Ombudsman.	Director of Governance and Compliance (Monitoring Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/24/21-22	9 Mar 2023	Standing Item: Work Plan 2022/23 & 2023/24	To consider the Committees Work Programme.	Executive Director Corporate Services				Ensure that there is transparency in all aspects of council decision making	
AG/16/21-22	9 Mar 2023	Value For Money Report from External Auditors	To receive the Value for Money report from the External Auditors in relation to the Statement of Accounts.	Director of Finance and Customer Services (s151 Officer)				Ensure that there is transparency in all aspects of council decision making	
AG/02/22-23	November 2023	Customer Experience Evaluation Report (Consultation and Engagement)	As requested by the Committee, to receive an evaluation report outlining the implementation progress of the last 12-18 months on the new approach to consultation and engagement (July 2022) the draft Action Plan and the outcomes of the work, including the toolkit and programme of activities.	Director of Policy and Change	N/A	N/A	N/A	Ensure that there is transparency in all aspects of council decision making	N/A

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Audit and Governance Committee

Date of Meeting:	24 th November 2022
Report Title:	Contract Procedure Rules
Report of:	Alex Thompson, Director of Finance and Customer Services - S151 Officer
Report Reference No:	AG/25/21- 22
Ward(s) Affected:	All

1. Purpose of Report

- 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 cases from 1st September 2022 to the 31st October 2022.

2. Executive Summary

- 2.1. The approved WARNs are published retrospectively for information to the next appropriate Audit and Governance Committee. The total number of WARNs to be presented to the November Audit and Governance Committee is 5 (consisting of 5 waivers, 0 non-adherences).
- 2.2. 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.

3. Recommendation/s

That the Audit and Governance Committee:

- 3.1. Notes the reason for 5 waivers approved between 1st September 2022 and 31st October 2022 (18 in total in 2022/23).
- 3.2. Notes that the Finance Sub-Committee, on the 9th November 2022, has reviewed the Waivers for this period as part of their responsibility for the pipeline of procurement activity.

4. Reasons for Recommendation/s

- 4.1. The Audit and Governance Committee has an assurance role in overseeing governance arrangements within the Council. The Committee exercises this role in relation to the Council's Contract Procedure Rules (CPRs) by having oversight of the WARN process. The CPRs promote good procurement and commissioning practice, transparency, and clear public accountability.
- 4.2. In introducing the Committee system of governance, from May 2021, Council has allocated responsibility for the procurement pipeline to the Finance Sub-Committee. As such that sub-committee will receive reports on procurement activity, such as contracts awarded, contracts to be advertised, waivers and processes for significant procurement decisions.
- 4.3. WARNs cover Waivers which are pre-approved variations from the Contract Procedure Rules, and these form part of the procurement process. Non-Adherence recognises instances where CPRs have not been followed. As such the Audit & Governance Committee can seek assurance from the Finance Sub-Committee that procurement process has followed an appropriate approval process.

5. Other Options Considered

- 5.1. N/A

6. Background

- 6.1. All WARNs approved in the period between Audit and Governance Committees will be presented to the next Committee meeting. This report contains all WARNs approved from the 1st September 2022 to the 31st October 2022, (18 waivers and 1 non adherences).

The WARN process records the following:

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with the Contract Procedure Rules, Chapter 3, Part 5. Section 7.1-7.4.
- Non-Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Chapter 3, Part 5. Section 7.5 - 7.12.

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: Waiver's

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	April – October 2022
Waivers							
	40	20	16	17	25	37	18

6.2 The number of waivers has increased in the past two years because of COVID and the impacts it has had on the care market. So far this year 12 of the waivers approved have been care related.

Table 2: Non-Adherences

	2016-2017	2017-2018	2018-2019	2019 - 2020	2020-2021	2021-2022	April - August 2022
Non-Adherence							
	33	10	5	1	3	3	1

7. Consultation and Engagement

7.1 Consultation and engagement have been undertaken with Cheshire East Council staff who have a role within Commission, Procuring and Contract Managing goods, services or works for the Council.

8. Implications

8.1. Legal

8.1.1. 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.

8.1.2. 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. Waivers are a compliant procurement route within the Rules and oversight of their use forms part of the Finance Sub Committee's oversight and management functions.

8.1.3. The Audit & Governance Committee will receive reports on all WARNs as part of their assurance role.

8.1.4. The continued reporting of Waivers to the Audit & Governance Committee will provide assurance on both the operation of the Rules and

the oversight and management of a compliant process which seeks value for money but does mean that contracts are awarded without competition.

8.2. Finance

8.2.1. The Council's Constitution Finance Procedure Rule 2.11; 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.

8.2.2. 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. The comments of Finance Officers focus on whether the Service: has identified sufficient existing budget to cover the proposal; and has also considered

8.3. Policy

8.3.1. N/A

8.4. Equality

8.4.1. All Cheshire East Council contracts have a clause stating "the supplier shall perform its obligations under the Contract in accordance with all applicable equality Law and the Council's equality and diversity policy as provided to the Supplier from time to time"

8.5. Human Resources

8.5.1. There are no direct implications for human resources.

8.6. Risk Management

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

8.7. Rural Communities

8.7.1. There are no direct implications for rural communities.

8.8. Children and Young People/Cared for Children

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

8.9. Public Health

8.9.1. There are no direct implications for public health.

8.10. Climate Change

8.10.1. There are no direct implications for climate change.

9. Ward Members Affected

9.1. N/A

9.2. N/A

Access to Information	
Contact Officer:	Lianne Halliday, Senior Manager Procurement lianne.halliday@cheshireeast.gov.uk
Appendices:	Appendix 1 Part 2 items
Background Papers:	

Appendix 1

CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING

Category Ref	Ref Description
A	Genuine Emergency - which warrant an exception to the requirements of competition
B	Specialist Education or Social Care Requirements
C	Genuine Unique Provider - e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
F	No valid tender bids received; therefore, direct award can be substantiated
G	Lack of Planning
H	Any other valid general circumstances up to the EU threshold
I	No time to undertake a tendering exercise, therefore extension necessary to avoid non-provision of deliverables
J	Procurement from any other source would be uneconomic at this time
K	Added value being offered by the Provider(s)
L	Extension is best option as highlighted in request form
D	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
V	Covid-19 Exemption
E	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.

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