

# **Audit and Governance Committee**

## **Agenda**

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**Date:** Thursday, 7th December, 2023  
**Time:** 10.00 am  
**Venue:** Committee Suite 1,2 & 3, Westfields, Middlewich Road,  
Sandbach CW11 1HZ

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

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

1. **Apologies for Absence**

To note any apologies for absence from Members.

2. **Declarations of Interest**

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

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

To approve as a correct record the minutes of the meeting held on Thursday 28 September 2023.

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

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

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

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For requests for further information

**Contact:** Nikki Bishop, Democratic Services Officer

**Tel:** 01270 686462

**E-Mail:** [Nikki.bishop@cheshireeast.gov.uk](mailto:Nikki.bishop@cheshireeast.gov.uk)

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

To receive an update on the Audit and Governance Committee Action Log.

6. **External Auditors - Audit Progress Report** (Pages 13 - 36)

To receive and consider the Audit Progress report from the Council's External Auditors.

7. **Internal Audit Update - Progress against Internal Audit Plan 2023-24** (Pages 37 - 56)

To receive an update on work undertaken by Internal Audit in line with the Internal Audit Plan 2023-24.

8. **Proposed Terms of Reference - Audit and Governance Committee** (Pages 57 - 74)

To receive and consider the proposed terms of reference for the Audit and Governance Committee.

9. **Audit and Governance Committee - Progress Against CIPFA Review Actions** (Pages 75 - 90)

To receive an update on progress of the implementation of actions agreed after the CIPFA review of the Committee.

10. **Work Programme** (Pages 91 - 92)

To consider the Work Programme and determine any required amendments.

**Membership:** Councillors S Adams, M Beanland (Chair), K Edwards (Vice-Chair), A Heler, C Hilliard, M Houston, G Marshall, P Redstone and J Snowball, Mr R Jones and Ms J Clarke.

**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 28th September, 2023 in The Capesthorne Room - Town  
Hall, Macclesfield SK10 1EA

**PRESENT**

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

Councillors A Heler, M Houston, G Marshall, P Redstone, M Gorman  
(substitute for Councillor C Hilliard) and B Drake (substitute for Councillor J  
Snowball)

**OFFICERS IN ATTENDANCE**

Janet Witkowski, Head of Legal  
Alex Thompson, Director of Finance and Customer Services and S151 Officer  
Josie Griffiths, Head of Audit and Risk  
Michael Todd, Acting Internal Audit Manager  
Jennifer Ashley, Democratic Services Officer  
Nikki Bishop, Democratic Services Officer  
David Malcolm, Head of Planning

**33 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor S Adams, Councillor  
C Hilliard and Councillor J Snowball.

**34 DECLARATIONS OF INTEREST**

There were no declarations of interest received.

**35 MINUTES OF PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on 27 July 2023 be approved as a  
correct record subject to item 21, paragraph one to read 1 April 2022 to 31  
March 2023.

**36 EXTERNAL AUDITORS - INDICATIVE AUDIT STRATEGY  
MEMORANDUM**

The committee received a report from External Auditors, Mazars that  
provided details of the Indicative Audit Strategy Memorandum which set  
out the processes and timelines for the audit of the 2022/23 Statement of  
Accounts.

The committee noted that the External Auditors are responsible for giving an opinion on whether the accounts give a true and fair view of the financial position of the Council and the Group's expenditure and income for each financial year ending 31st March and whether the accounts have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The committee also received a verbal update regarding the following matters;

1. In light of the Council's financial outturn forecast, Mazars will be including a Value For Money risk of significant weakness in the 22/23 audit plan and further discussions with the S151 Officer will be taking place
2. Mazars have no issues with the Internal Audit Section 106 Key Findings Report, as the potential repayment values do not reach audit materiality levels
3. It was reported that Muhammad Khan is leaving Mazars soon and Tom Greensill will be the new audit manager for Cheshire East Council
4. Although Cheshire East had published the draft statement of accounts for 2022/23 by the end of May 2023, Mazars were not in a position to complete their audit until December 2023.

RESOLVED:

That the Audit and Governance Committee;

- (1) Considered and noted the Indicative Strategy Memorandum that set out the audit approach and timelines for the audit of the 2022/23 Statement of Accounts;
- (2) Noted the verbal updates provided by Mazars.

Councillor Marilyn Houston and Mr Jones joined the meeting at 10.15 am.

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

There were no public speakers.

### **38 ACTION LOG**

The committee reviewed the progress of the Action Log.

1. Annual Complaints Report 2022/23  
Local Government Ombudsman comparison of Local Authority Complaints was circulated to committee members on 16 August 2023.

2. Internal Audit Opinion 2022/23  
A briefing session for committee members on the work of Internal Audit would take place on 30 October 2023.
3. Land Transactions – Internal Audit Investigation  
Investigations were near completion with details to be shared with the Monitoring Officer, Chair and Vice Chair of the Audit and Governance Committee to agree on the most appropriate way to report findings to committee members.
4. Draft Pre - Audited Financial Statements – Wholly Owned Companies  
Response circulated to committee members 27 September 2023.
5. Work Programme – Internal Audit Plan  
Setting of the Internal Audit Plan would be commencing soon; Mr Jones will be invited to discuss ideas for the plan.
6. Work Programme – Customer Service Strategy  
The Customer Experience Strategy is due to be presented to the Corporate Policy Committee on 5 October 2023. Further updates to be provided at a future meeting.
7. Work Programme – S106 Internal Audit Key Findings  
This report was presented to the committee on 28 September 2023.

RESOLVED:

That the Audit and Governance Committee noted the updates on the action log.

### **39 MONITORING OFFICER ANNUAL REPORT 2022/23**

The committee received a report from the Director of Governance and Compliance and Monitoring Officer that provided information and assurance to the Audit and Governance Committee on key aspects of the Monitoring Officer's responsibilities over the previous financial year.

The report provided information on the role of the Monitoring Officer, and an overview of the following areas:

- Members' Code of Conduct
- Register of Members' Interests
- Register of Gifts and Hospitality
- Member Training and Development
- Dispensations
- Information and Data Protection
- Complaints including Local Government and Social Care
- Ombudsmen Referrals
- Regulation of Investigatory Powers (RIPA) Act

- Whistleblowing
- Constitution/Decision Making Process

Members received clarification that although 39 complaints had been received, each complaint could include more than one alleged breach.

The committee questioned what, if anything had influenced the reduction in the number of complaints received. In response, Officers confirmed that although there was no specific reason for the reduction in complaints, there has been a robust change in the triage of complaints, and town and parish councils have been encouraged to adopt a new code of conduct along with more training offered to elected members. In addition, Officers meet weekly to discuss complaints and offer advice to members as required.

It was highlighted to members of the committee that declarations of gifts and hospitality were low across both borough and town / parish councils with the responsibility to declare on each individual members. Officers do not routinely check that declarations are being made.

RESOLVED:

That the Audit and Governance Committee acknowledged and noted the Monitoring Officer Annual Report 2022/23.

#### **40 ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2022/23**

The committee received a draft version of the Audit and Governance Committee's Annual Report 2022/23 from the Director of Governance and Compliance and Monitoring Officer that if agreed, would be presented to Council on 18 October 2023.

The committee noted that producing an annual report on the work of the Committee ensured compliance with best practice requirements and the Council's Constitution. The report would also provide assurances to wider stakeholders on the continuing improvements of the Council's governance arrangements. As there had been a change in membership of the committee, along with a new Chair, the current Chair (Councillor Beanland) had agreed to take this report forward on behalf of the committee.

The Chair extended the thanks of the Committee to the Officers involved in writing the report.

RESOLVED:

That the Audit and Governance Committee

- (1) Reviewed the draft Annual Report of the Audit and Governance Committee 2022/23;

- (2) Agreed the final version be presented at the next meeting of Council on 18 October 2023.

**41 PROPOSED TERMS OF REFERENCE - AUDIT AND GOVERNANCE COMMITTEE**

The committee received a verbal update that reported on the progress of the Terms of Reference Review Working Group.

The working group had met twice and were progressing through observations and comments suggested from the CIPFA review, along with Members suggestions for improvements.

The committee were informed that the working group aimed to bring the revised terms of reference to the December meeting of the Audit and Governance Committee; a briefing on the revised Terms of Reference could be provided to the wider Committee ahead of the meeting.

**RESOLVED:**

That the Audit and Governance Committee noted the verbal update on progress.

**42 RECRUITMENT OF CO - OPTED INDEPENDENT MEMBER**

The committee received an urgent update report from the Director of Governance and Compliance that provided details of progress on the recruitment of a co-opted independent member. The report requested that delegation be given to the working group to appoint in order to meet the original timeline of a decision at October 2023 Council

The committee were advised that interviews had taken place and a preferred candidate had been selected. In order to meet the original anticipated deadlines to confirm the appointment at Council in October, the Appointment Panel required delegated authority from the Audit and Governance Committee.

**RESOLVED:**

That the Audit and Governance Committee;

- (1) Noted the updated on progress
- (2) Agreed to delegate authority to the Appointment Panel to progress with the appointment of the preferred candidate
- (3) Agreed that the Appointment Panel be given delegated authority to recommend the preferred candidate directly to Council, subject to appropriate references being received.

**43 WORK PROGRAMME**

The committee considered the work programme for 2023/24 and noted the items due to be presented at the December meeting.

**44 SECTION 106 KEY FINDINGS - INTERNAL AUDIT REPORT**

The committee received a report from the Director of Governance and Compliance and Monitoring Officer that detailed the key findings from Internal Audit's review of arrangements for the management and monitoring of Section 106 (S106) agreements.

It was highlighted to the committee that the planning service had undertaken a wide-ranging review and had previously reported to Environment and Communities Committee on the work being undertaken. This Internal Audit report findings on S106 management would now be included in the ongoing review. Internal Audit completed an extensive review of the council's arrangements for the management and monitoring of Section 106 Agreements with the key findings of the review presented to the committee in Appendix 1 of the report.

The overall assurance opinion for this review determined as "No Assurance". This reflected that there are currently significant areas of risk which are not being managed effectively in relation to the effective and efficient use of S106 agreements and contributions. The audit report findings related to operational processes, governance, and a lack of strategic oversight in place for senior officers and service committees. It was proposed to the committee that "No Assurance" opinion reports are considered for inclusion in the council's Annual Governance Statement.

It was highlighted to the committee that the audit review had been a significant piece of work which had been very well supported by the Planning Team throughout the course of the Internal Audit work and Officers had proactively approached the recommendations.

A proposal was put to the committee to move to Part 2. This was seconded.

**RESOLVED:**

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

Following discussions, the committee moved back to open session to confirm their decisions.



RESOLVED:

That the Audit and Governance Committee;

- (1) Received the findings of the internal audit review on the arrangements for the management and monitoring of section 106 funds and noted the 'No Assurance' opinion with an initial progress report being provided to the Committee in March 2024, with a further update on the implementation of actions to be reported in 12 months time;
- (2) Considered and agreed that this item be included in the final Annual Governance Statement which will be presented to the committee in due course;
- (3) Agreed to write to the Environment and Communities Committee to seek an invitation for the Chair and Vice Chair of the Audit and Governance Committee and Chair & Vice Chair of the Finance Sub Committee to attend the first meeting of the Environment and Communities working group to relay the concerns of the Audit and Governance Committee
- (4) Agreed to request to the Chair and Vice Chair of the Environment and Communities Committee and Chair and Vice Chair of the Finance Sub Committee to request an urgent confidential meeting to discuss the findings of the S106 Internal Audit Review and agree oversight arrangements for monitoring the implementation of agreed actions.

Councillor Ken Edwards left the meeting at 12.30 pm and did not return.

Mr Jones left the meeting at 1.10 pm and did not return.

The meeting commenced at 10.00 am and concluded at 1.30 pm

Councillor M Beanland (Chair)

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## Audit and Governance Committee - Action Log

Committee Date	Item No	Report Title	Action	Lead Officer/Update
28 September 2023	12	S106 Key Findings – Internal Audit Report	The Committee requested that an update on the management and monitoring arrangements for S106 Funds be added to the Committee Work Programme for March 2024, with a verbal update to be provided at the December 2023 Committee	Head of Audit & Risk  <b>UPDATE:</b> Verbal update scheduled for 7 December 2023 Committee Meeting.
27 July 2023	4	Land Transactions – Internal Audit Investigation	Following question raised by member of the public, committee to receive details of Internal Audit investigation outcomes and updates as appropriate	Head of Audit & Risk  <b>UPDATE</b> Investigations near completion, details to be shared with the Monitoring Officer, Chair & Vice Chair of the Audit & Governance Committee to agree on the most appropriate way to report findings to committee members
29 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.	The Head of Audit and Risk to invite Ron Jones to meetings in relation to setting of next year's Internal Audit Plan
29 September 2022	11	Work Programme	The Committee requested a briefing on the Customer Services Review be added to the Committee Work Programme.	<b>UPDATE</b> The Customer Experience Strategy papers, considered by the Corporate

				Policy Committee in October 2023, have been shared with the Committee (27/11/23)
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# Audit Progress Report

Cheshire East Council– Year ended 31  
March 2023

December 2023



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Dear Committee Members

**Audit Progress Report – Year ended 31 March 2023**

We are pleased to present our Audit Progress Report for the Council’s statement of accounts year ended 31 March 2023. The purpose of this document is to summarise our audit progress and conclusions so far and forms part of our communication to the Audit and Governance Committee as those charged with governance of the Council.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. However, we have confirmed the verbal update we gave at that meeting to indicate a risk of significant weakness in value for money arrangements in relation to financial sustainability. We report our resultant findings in Section 06.

We expect to complete the outstanding audit work before Christmas and then issue a final Audit Completion Report and the audit opinion in January 2024.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel, Partner  
Mazars LLP

Our reports are prepared in the context of the ‘Statement of Responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Significant findings so far

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office’s (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit is being conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our significant findings from our audit so far. This section includes our work on significant risks and areas of management judgement in line with our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of the net defined benefit liability; and
- Valuation of property, plant and equipment, and investment property.

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations. There are currently no audit misstatements or unadjusted misstatements to report. Section 6 outlines our work on the Council’s arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status

The audit remains in progress in respect of the financial statements for the year ended 31 March 2023 and we include in section 2 the status of the audit at the time of preparing this report. We aim to complete our audit testing before Christmas and then provide a final audit completion report and the audit opinion in January 2024.



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We have considered the financial difficulty the Council faces and consulted with VFM experts within the firm to ensure our commentary is appropriate regarding the arrangements the Council has in place for financial sustainability. Our work on value for money is ongoing and we will continue to assess the Council’s arrangements, particularly those relating to financial sustainability. Further detail on our Value for Money work is provided in section 6 of this report.



### Whole of Government Accounts (WGA)

We have received group instructions from the National Audit Office in respect of our work on the Council’s WGA submission and will complete this work at the completion stage of the audit.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.












# 02


Section 02:

**Status of the audit**


## 2. Status of the audit

Our work is currently ongoing, as outlined below, and completed areas are awaiting review by the partner and engagement quality review partner. There are no matters at present which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.


Audit area	Status	Description of the outstanding matters
Cash and bank		We are awaiting confirmations from the remaining third parties to allow us to complete this testing.
Loans and borrowings		We are awaiting confirmations from the remaining third parties to allow us to complete this testing.
ITGC testing		We have yet to begin our review of the designed and implementation of IT General Controls.
Testing of non-pay expenditure		We are processing the remaining sample items and following up on queries. This work is near completion.
Testing of operating income		We are processing the remaining sample items and following up on queries. This work is near completion.
Grants testing		We are processing the remaining sample items and following up on queries. This work is near completion.
Journals testing		We are following up on the remaining queries. This work is near completion.
PPE and Investment property valuations		Work is ongoing.
IAS 19 net pensions asset		We are awaiting the revised actuarial report from Hymans Robertson to capture the impact of the recalculation of the asset ceiling.



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

## Materiality

Our provisional materiality at the planning stage of the audit was set at £18m for the Group financial statements and £17.7m for the Council single-entity statements using a benchmark of 2% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made.

## Use of experts

We have not made changes to the planned use of experts as set out in our Audit Strategy Memorandum to assist in our audit procedures. Please see table below:

Item of account	Management’s expert	Our expert
Defined benefit liability/asset	Hymans Robertson Actuaries	PwC consulting actuary, on behalf of the National Audit office
Property, Plant and Equipment and Investment Property valuation	Montagu Evans and Farms Estate Shared Service	We will use available third-party information to challenge the key valuation assumptions
Financial instruments disclosures	Arlingclose Treasury Advisors	We will review the expert’s methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our audit approach.

Item of account	Management’s expert	Our expert
Payroll, non-pay expenditure, and other transactional items of account	Cheshire transactional services (shared services)	We obtained assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly. Our testing will include sample testing of transactions based on evidence available from the Council rather than the Shared Service.






# 3. Audit approach


## Group audit approach


Cheshire East Council prepares Group accounts and consolidates the following subsidiary companies within its Group accounts:


- Cheshire East Resident First Limited (CERF) - 100% owned by Council
- ANSA Environmental Services Limited, Transport Service Solutions Limited and Orbitas Bereavement Services Limited - 80% owned by CERF and 20% by Council.


Our approach reflected the size and complexity of the transactions and balances within the subsidiary company that are consolidated into the Council's Group financial statements. Our approach is outlined below, and we confirm that there are no changes to the planned approach set out in our Audit Strategy Memorandum.

Group component	Approach adopted	Key points or other matters to report
Cheshire East Council		Full audit – matters included in this report
Cheshire East Resident First Limited (CERF)		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
ANSA Environmental Services Limited		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Transport Service Solutions Limited		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Orbitas Bereavement Services Limited		Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.

 **Full audit**  
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

 **Audit of balances and/or disclosures**  
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

 **Specific audit procedures**  
Performance of specific audit procedures on the component's financial information

 **Review procedures**  
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

## Significant risks

<b>Management override of controls</b>	<b>Description of the risk</b>  In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<b>How we addressed this risk</b>  We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b>  Our work on management override of controls is nearing completion. We do not have any matters to bring to the Committee’s attention at present.

# 4. Significant findings

<b>Valuation of defined benefit asset</b>	<p><b>Description of the risk</b></p> <p>The pension asset represents a material element of Cheshire East Council's balance sheet. The Council is an admitted body of the Cheshire Pension Fund (CPF) which had its last triennial valuation completed as at 31 March 2022.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension asset are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension asset in 2022/23.</p>
	<p><b>How we addressed this risk</b></p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• Critically assessing the competency, objectivity and independence of the CPF's Actuary, Hymans Robertson</li><li>• Liaising with the auditors of the CPF (Grant Thornton) to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.</li><li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office.</li><li>• Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Our work on this risk is ongoing. We are awaiting the revised IAS 19 report from the actuary which will appropriately recalculate the asset ceiling which places a cap on the extent to which a net defined benefit asset may be recognised. This has been requested as the Council's actuary previously calculated the asset ceiling using a finite period for future service contributions, where an infinite future service period should have been assumed.</p> <p>From our review of the Pension Fund auditor letter upon which we rely for assurance over the completeness and accuracy of data, we have identified that the Pension Fund have a control weakness we wish to bring to the attention of members. Grant Thornton, the pension fund auditor were unable to agree the total number of active, deferred, pensioner, dependant and undecided members submitted to the actuary to the underlying information system maintained by the pension fund, due to disparities noted between the database used by the Pension Fund and the underlying records. Sufficient appropriate assurance was obtained over the completeness and accuracy of the data used by the actuary to conclude there was is no material misstatement by testing the underlying data to the submission.</p>



# 4. Significant findings

Valuation of property, plant and equipment (Land and Buildings) and Investment Properties	<b>Description of the risk</b>
	The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.
	The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.
	As a result of the rolling programme of revaluations, there is a risk that the value of individual assets which have not been valued for up to four years are not materially fairly stated at their current value as at the end of the reporting period. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.
	<b>How we addressed this risk</b>
	Our audit procedures included: <ul style="list-style-type: none"><li>•Obtaining an understanding of the Council’s valuer’s qualifications, objectivity and independence to carry out such valuations.</li><li>•Reviewing the valuation methodology used in the year including testing the underlying data and assumptions.</li><li>•Considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA code of practice and the Council’s accounting policies.</li><li>•Reviewing the approach that the Council has adopted to address the risk that assets not subject to valuation in 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council’s valuers.</li><li>•Considering the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</li></ul>
	<b>Audit conclusion</b>
	Our work on this risk is in progress and has not yet concluded.

# 4. Significant findings

## Qualitative aspects of the Council’s accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council were of a good quality. Good quality working papers have been made available in a timely manner and these have assisted in our audit progress. Council finance officer colleagues have prioritised responding to our audit queries.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

# 5. Internal control recommendations

## Other recommendations in internal control – Level 3

### Description of deficiency

The expected credit loss provision for housing benefits and adult social care debt is calculated based on percentages calculated in 2019 which have not been updated to reflect the current profile of debt.

### Potential effects

The amount provided for may not be accurate and may fail to take into account prevailing economic conditions.

### Recommendation

The Council should review the percentages used for the calculation of the expected credit loss provision in respect of housing benefits and adult social care annually.

### Management response

### Description of deficiency

Year-end accounts payable and receivable reconciliations were not signed as reviewed, and the payroll bank reconciliation was not signed as prepared. One school bank reconciliation was not prepared.

### Potential effects

Amounts included in the financial statements may be misstated.

### Recommendation

Reconciliations should be signed as prepared and reviewed on a timely basis.

### Management response

# 5. Internal control recommendations

## Follow up on previous internal control points

The internal control points reported in the 2021-22 ACR relate to IT general controls. Our audit work over in this area is still ongoing. We will update in our next report whether our findings are consistent with management's update.

### Description of deficiency

Our testing of Unit 4 privileged access users identified 46 users that retained systems access to the in-scope application post their leave date.

### Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

### Recommendation

The leavers process should be adhered to in full in order to ensure that colleagues and third parties no longer requiring access to systems and data are removed on a timely basis.

### 2022/23 update

### Description of deficiency

A new user was granted access to Unit 4, the in-scope application, prior to approval of the request

### Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

### Recommendation

Management should ensure that there is appropriate approval prior to granting access to systems.

### 2022/23 update from management

# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

Our testing of the leases identified an instance where signed copy of lease agreement was not obtained and retained on file.

### Potential effects

In the absence of a signed lease agreement there is a risk of incorrect rental income being charged to the accounts and an increased risk of legal difficulties in the event of any contractual disputes.

### Recommendation

The Council should ensure that proper, completed, signed documents are retained for each lease.

### 2022/23 update

### Description of deficiency

Our journals testing identified one instance of a journal being posted without a line description.

### Potential effects

Posting journals without descriptions diminishes the audit trail and increases the risk of erroneous or fraudulent transactions being posted to the ledger undetected.

### Recommendation

There should be a review process to ensure that journals without descriptions are not posted to the ledger.

### 2022/23 update

# 06

## Section 06: **Value for Money**



# 6. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following completion of our audit work.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. In late September 2023, we identified that there was a risk of significant weakness relating to financial sustainability and have undertaken work to determine whether the Council have appropriate and robust arrangements in place, please see overleaf for further detail. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation.

# 6. Value for Money

## Risks of significant weaknesses in arrangements

At the 28 September 2023 Committee meeting we gave a verbal update to the Audit Strategy Memorandum to say that in light of the Council’s financial forecast for the year ending 31 March 2024, we had identified a risk of significant weaknesses in arrangements. We report below our response to the identified risk.

Risk of significant weakness	Work undertaken and conclusions reached
<p><b>Financial sustainability</b></p> <p>In February 2023, the Council agreed a balanced budget for the 2023/24 financial year. This included £70m of service growth (compared to £21m for 2022/23) and £24m of service savings (£7m for 2022/23).</p> <p>At the 5 October 2023 Corporate Policy Committee, the Director of Finance and Customer Services authored a report entitled ‘First Financial Review 2023/24’. This identified a forecast deficit of £26m due to cost pressures in Children’s services, higher rates of inflation than expected and increasing interest rate charges .The £26m deficit has already been reduced to £12.8m, following some parts of the Council identifying additional savings.</p> <p>Members have agreed a range of mitigations aimed at reducing the forecast deficit even further including corporate-wide spending management and control (for example freezing vacancies).</p> <p>Whilst the financial challenges faced by the Council are not unique across the local government sector, the evidence we have summarised above, represents a risk of significant weakness to the arrangements that the Council has in place to support its financial sustainability.</p>	<p><b>Work undertaken</b></p> <p>In response to the identified risks of significant weakness our planned procedures will include:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of how the Council is planning to reduce its current forecast deficit for 2023/24 of £12.8m.</li><li>• Challenging the deliverability of the mitigations identified.</li><li>• Challenging how the mitigations identified are consistent with other Council plans such as workforce, capital, investment and other operational plans for 2023/24.</li><li>• Challenging management on how it assesses the impact of the 2023/24 financial outturn and forecast on its Medium-Term Financial Strategy.</li><li>• Maintaining a regular dialogue with the Director of Finance and Customer Services on the financial forecast for 2023/24 and the impact of the identified mitigations.</li></ul> <p><b>Conclusions</b></p> <p>Since we reported the identification of the risk, the Council has published a Second Financial Review which reported that the forecast had worsened from £12.8m to £18.7m despite the range of activities put in place. However, having completed the work outlined above and reviewed the activities of the Cheshire East Budget Emergency Response Team, we have formed the view that there is no actual significant weakness in the Council’s financial sustainability arrangements. We recognise that the Council’s finances are in a precarious position for the 2023/24 year and that its budget setting process for 2024/25 is proving equally challenging. However, based on the work undertaken and the evidence we have reviewed, we are satisfied that the Council has the expected arrangements currently in place. We will provide more detailed information in the Auditor’s Annual Report which will follow the issue of the auditor’s report on the accounts.</p>

# Suresh Patel

## **Mazars**

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OPEN

## **Audit and Governance Committee**

**7 December 2023**

### **Internal Audit Update - Progress against Internal Audit Plan 2023-24**

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**Report of: David Brown, Director of Governance and Compliance  
(Monitoring Officer)**

**Report Reference No: AG/22/23-24**

**Ward(s) Affected: All**

### **Purpose of Report**

- 1 The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April and September 2023 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2023/24.

### **Executive Summary**

- 2 The report details work undertaken by Internal Audit during quarters 1 and 2 of 2023/24 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.

### **RECOMMENDATIONS**

The Audit and Governance Committee is recommended to:

1. Note and consider the contents of the Internal Audit Update Report Q1/Q2 2023/24 (Appendix 1).

## Background

- 3 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”.
- 4 The interim report contains the following:
  - (a) a summary of the audit work carried out in Q1 and Q2 2023/24.
  - (b) 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.
  - (c) a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year.
- 5 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 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.
- 7 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 and Chief Executive. 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.

## Consultation and Engagement

- 8 The Internal Audit Update Report Q1/Q2 2023/24 has been considered by Corporate Leadership Team.

## Reasons for Recommendations

- 9 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.
- 10 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.

## Other Options Considered

- 11 None applicable.

Option	Impact	Risk
Do nothing	Failure to provide Audit and Governance Committee with an update on the performance of Internal Audit.	Failure to comply with the Public Sector Internal Audit Standards.

## Implications and Comments

### *Monitoring Officer/Legal*

- 12 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".
- 13 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.

### *Section 151 Officer/Finance*

- 14 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.

- 15 The Internal Audit Plan 2023/24 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.
- 16 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

#### *Policy*

- 17 There are no direct implications for policy.

#### *Equality, Diversity and Inclusion*

- 18 There are no direct implications for equality.

#### *Human Resources*

- 19 There are no direct implications for human resources.

#### *Risk Management*

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

#### *Rural Communities*

- 21 There are no direct implications for rural communities.

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

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

#### *Public Health*

There are no direct implications for public health.

#### *Climate Change*

- 23 There are no direct implications for climate change.



Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit and Risk Email: <a href="mailto:Josie.griffiths@cheshireeast.gov.uk">Josie.griffiths@cheshireeast.gov.uk</a>
Appendices:	Appendix 1 – Internal Audit Update Report Q1/Q2 2023/24
Background Papers:	N/A

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# Internal Audit Update Report April – September 2023

(2023/2024 Internal Audit Plan)

## 1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April - September 2023 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 2023, 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 7**. It is anticipated that sufficient work in terms of quantity and coverage will be undertaken to deliver the annual opinion for 2023/24, with the number of final reports issued expected to exceed the total number issued in 2022/23.
- 2.4. Figures relating to 2022/23 and 2021/22 have been included in the table below to assist with comparison.

**Table 1: Reports to date by assurance level**

Assurance Level	2023/24 (to 30/09/2022)	2022/23 (to 30/09/2022)	2022/23 Full Year	2021/22 (to 30/09/2021)	2021/22 Full Year
Good	2	0	5	0	2
Satisfactory	2	2	4	2	4
Limited	1	2	8	2	8
No Assurance	1	0	2	0	1
<b>Total</b>	<b>6</b>	<b>5</b>	<b>19</b>	<b>4</b>	<b>15</b>

- 2.5. A summary comparison of coverage of the 2023/24 Audit Plan with actuals for the year to 30 September 2023 is shown in **Table 2**, with comments on variances.

**Table 2: Summary Comparison of Audit Plan 2023/24 and Actuals**

Area of Plan		Original Plan		Actuals (to 30/09/2023)		Comments on coverage
		Days	%	Days	%	
<b>Chargeable Days</b>		<b>1476</b>		<b>581</b>		Lower than planned as original figure included agency staff not subsequently re-employed
Less: Corporate Work		177		83		
<b>Available Audit Days:</b>		<b>1299</b>	<b>100%</b>	<b>498</b>	<b>100%</b>	
Corporate Governance and Risk		130	10%	46	9%	
Anti-Fraud and Corruption	Proactive Work	52	4%	18	4%	
	Reactive Investigations	52	4%	0	0%	
Corporate Services		455	35%	191	38%	
Adults, Health & Integration		130	10%	48	10%	
Children's Services		130	10%	30	6%	
Place		104	8%	102	20%	Large amount of work on s106 and land transactions
Providing Assurance to External Organisations		26	2%	19	4%	Most of the work takes place in Q1
Advice & Guidance		90	7%	10	2%	
Other Chargeable Work		130	10%	36	7%	
<b>Total Audit Days</b>		<b>1299</b>	<b>100%</b>		<b>100%</b>	

- 2.6. Details of the reports produced to the end of September 2023 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 2023/24 to 30 September 2023**

<b>Audit Report</b>	<b>Reason for Review</b>	<b>Audit Assurance Opinion</b>	<b>Comments</b>	<b>Summary of Findings – (Limited /No Assurance Reports Only)</b>
Wilmslow Business Improvement District Billing Reconciliation	Request of management	Good	All controls operating effectively	
Non-Domestic Rates Discounts and Eligibility	Identified via Audit Plan	Good	Draft report agreed at the end of 2022/23	
Unit4 Key Financial Controls (jointly with CWAC)	Identified via Audit Plan	Reasonable	All actions agreed with management of both CEC and CWAC	
Council Tax Eligibility for Discounts	Identified via Audit Plan	Satisfactory	All actions agreed with management	
Care at Home	Identified via Audit Plan	Limited	6 recommended actions were agreed. A progress update has been received and of the 6 actions: 1 is implemented ahead of schedule. 5 are on target to be implemented within the agreed timescale (end of December 2023)	The review identified the following issues: <ul style="list-style-type: none"> <li>• The use of non-commissioned providers is not comprehensively reported to senior management on a regular basis</li> <li>• The selection and approval for the use of non-commissioned providers is not consistently evidenced</li> <li>• Provider contracts are not consistently monitored in accordance with the arrangements set out in the contract schedules</li> </ul>

Audit Report	Reason for Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Section 106	Identified via Audit Plan	No Assurance	Reported in detail to the Committee in September 2023	Significant issues were identified during the audit which have been reported to Audit & Governance, Environment and Communities and Finance Sub Committee. Progress in implementing these actions is being closely monitored. A verbal update will be provided to the December Committee meeting.

- 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. Having considered the current resources available within Internal Audit, 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 2023/24.

### **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 2023/24 has been agreed by both the Director of Finance and Customer Services (Section 151 Officer) and the Head of Service: Education, Participation and Pupil Support and, as with the previous year, will be a thematic review of procurement, including the use of purchase cards, and HR arrangements including payroll. This will include the use of Unit4 but not the controls built into the system as these have been subject to separate audits undertaken jointly with Cheshire West and Chester Internal Audit team.
- 2.16. This year's programme will also ensure that all schools have received an audit review in the previous 5 years.
- 2.17. 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 to the Department of Education in May 2024.
- 2.18. 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.
- 2.19. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.20. 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 Head of Service: Education, Participation and Pupil Support

### **Supporting Corporate Governance**

- 2.21. 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).
- 2.22. During the first half of this financial year, and as previously reported in the 2022/23 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council's AGS for 2022/23.
- 2.23. The Draft AGS 2022/23 was presented to Audit & Governance Committee at their July 2023 meeting, and the final version will be brought back to a future meeting for approval following completion of External Audit's work on the 2021/22 Financial Statements.
- 2.24. Audit and Governance Committee approved the Final AGS 2021/22 at their March 2023 meeting, and delegated authority to the Chief Executive and Leader of the Council to sign off the Statement upon completion of the external audit work on the Financial Statements. The External Audit work was completed, and the audit certificate issued, in November 2023 and the Final AGS 2021/22 has now been signed and published on the Council's website.

### **Counter Fraud and Investigations**

- 2.25. Internal Audit has continued to keep abreast of the latest fraud threats, and where appropriate coordinated awareness raising with the appropriate services.
- 2.26. 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 were received in January 2023 and services are being supported to investigate matches and record the results on the NFI website.
- 2.27. The NFI carries out around 60 separate matches where there is the potential of fraud and error to take place. Examples of the types of matches undertaken are as follows:
- Housing Benefit payments against other authorities
  - Housing Benefit payments against deceased persons
  - Payroll records against other authorities
  - Payroll records against Companies House
  - Creditors for duplicate payments and duplicate contact details
  - Blue Badges against deceased persons

- 2.28. The exercise returned over 6000 matches with around 4500 having been closed by services. It should be noted that the results are awarded a rating to signify the potential for it being a genuine match, and that the majority return no positive results following investigation.
- 2.29. A more detailed breakdown of matches and results will be provided in a future update to the Committee following completion of investigations.
- 2.30. There have been no reported instances of fraud brought to the attention of IA by management during the first half of 2023/24.

### Consultancy and Advice

- 2.31. 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.
- 2.32. In the year so far, advice and guidance has been provided on:
- Design and application of controls in new/proposed systems.
  - Interpretation of Finance and Contract Procedure Rules.
- 2.33. 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

- 2.34. 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.
- 2.35. In 2023/24 to date, this has included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

**Table 4: Grants Certified during 2023/24 as at 30 September 2023**

Grant Certified	Funding Body	Amount
Family Focus (year to date)	MHCLG	£130,400
CWLEP Growth Hub Grant	BEIS	£231,000
CWLEP Peer Network Grant	BEIS	£150,000
CWLEP Skills Bootcamp	BEIS	1,036,653
Bus Service Operators Grant	DfT	£347,865

Local Transport Capital Block Funding	DfT	£9,252,000
Energy Efficiency – Sustainable Warmth	BEIS	£3,288,860
Supplementary Substance Misuse Treatment and Recovery Funding	PHE	£346,706
Changing Places	DLUHC	£12,000
Pothole Challenge	DfT	£5,799,000
<b>Total</b>		<b>£20,594,484</b>

- 2.36. 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.
- 2.37. Over recent 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 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

- 2.38. 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.
- 2.39. 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.
- 2.40. The work was completed, and a report issued during June 2023.

#### Implementation of Audit Recommendations

- 2.41. 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.
- 2.42. 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.
- 2.43. 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.
- 2.44. 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 2023**

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2021/22				
100%	0%	98%	2%	0%
2022/23				
100%	0%	100%	0%	0%
2023/24				
100%	0%	100%	0%	0%

- 2.45. During the recent Section 106 review, it became apparent that previously agreed actions had not been implemented and the arrangements for undertaking follow ups had not identified this issue in a sufficiently timely manner.
- 2.46. In response, a detailed review of all audit actions agreed since 2021/22 has been undertaken to determine whether services have successfully implemented agreed actions.
- 2.47. The findings of this review are detailed in **Table 6** below:

**Table 6: Implementation of Agreed Audit Actions - 2021/22 to 30/09/2023**

Action Status	No of Actions
Total actions agreed	143
Completed actions	48
Superseded actions	3
In progress (not yet due)	88
In progress (past agreed date)	2

- 2.48. The 2 outstanding actions, which were in relation to updating policy and procedures, and the structure chart, were medium level actions, due for implementation at the end of June 2023. Further work has identified that implementation was delayed because of long-term absence within the team, new implementation dates are being agreed with the service and the appropriate senior manager.
- 2.49. Additional information in relation to the implementation of actions will be provided in future Internal Audit update reports as our approach to follow up work develops further.

### Ongoing Work

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

**Table 7: Ongoing Internal Audit Assignments as at 30 September 2023**

Audit	Scope of Review	Status
School's Consolidated Report	To communicate the findings from the School's Audit Programme	Draft report issued
Land Transaction Concern	To test the concerns raised by a member of the public	Draft report for review
Purchase Cards – Children's Services	To review the use of purchase cards within the directorate and compliance with policy and procedures	Fieldwork complete
Purchase Cards – Adults, Health & Integration	To review the use of purchase cards within the directorate and compliance with policy and procedures	Fieldwork complete
Purchase Cards – Corporate Services	To review the use of purchase cards within the directorate and compliance with policy and procedures	Fieldwork complete

Purchase Cards - Place	To review the use of purchase cards within the directorate and compliance with policy and procedures	Fieldwork complete
Corporate Travel Management	To review the effectiveness of controls within the system and compliance with policy and procedure	Fieldwork complete
Use of Agency Workers	To review the use of agency workers across the authority and	Fieldwork complete
Unit4 – Exception Payments	To review the use of exception payments within Unit4	Fieldwork nearing completion
Grant Monitoring and Administration	To review the procedures in place for monitoring and reporting on grants received that are not subject to sign off by the Head of Audit & Risk	Fieldwork nearing completion
Debt Management and Recovery – Sundry Debt	To review compliance with policies and procedures and ensure that effective processes are in place for the collection of debt	Fieldwork underway
Debt Management and Recovery – Adult Social care	To review compliance with policies and procedures and ensure that effective processes are in place for the collection of debt	Fieldwork underway
Treasury Management	To review the arrangements in place for the effective management of the Council's financial assets	Fieldwork underway
Starters, Contractual Changes and Leavers	To review the use of Unit4 and compliance with policies and procedures	Fieldwork underway
Direct Payments – Adults	To review compliance with policy and procedures and understand the impact of proposed changes to the control environment	Terms of reference issued
Direct Payments – Children's	To review compliance with policy and procedures and understand the impact of proposed changes to the control environment	Terms of reference issued

ICT Hybrid Programme (joint work with CWAC)	To provide assurance that the Programme has robust governance arrangements and is appropriately resourced and has a delivery plan that recognises the challenging timeframe it has been set.	Terms of reference issued
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**Table 8: Planned work for Q3&4**

Audit	Scope of Review
Accounts Receivable	To review the use of Unit4 and arrangements in place for the timely and accurate raising of invoices
Housing Benefits Discretionary Payments	To review the use of discretionary payments and ensure that there is appropriate approval and oversight in place
Pre-Loaded Cards	To review the use of preloaded cards across the Council and ensure appropriate controls are in place
Tribunal Process	To review the arrangements in place and ensure compliance with policies and procedures
Resource Allocation Panel – Children's Services	To review the governance and oversight in place to ensure that spend is subject to appropriate control and monitoring

2.51. 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 performance indicators which are detailed in **Table 9**.

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

**Table 9: Performance Indicators to date**

Performance Indicator	2023/24 Actual to date	2023/24 Target	2022/23 Actual	Comments on 2022/23 Actuals
% of Audits completed to user's satisfaction	100%	95%	96%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target

Chargeable Time (Assurance Work)	83%	85%	88%	Above target
Draft report produced promptly (per Client Satisfaction Form)	100%	95%	95%	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 2023/24 is scheduled for completion within Quarter 3 and the results will be reported to the Committee following its completion.
- 4.4. The external review of compliance with the PSIAS will be undertaken through a peer review process via the North West Chief Audit Executive Group, and will take place before the end of the current financial year.



OPEN

## **Audit and Governance Committee**

**Thursday, 7 December 2023**

### **Proposed Terms of Reference - Audit and Governance Committee**

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**Report of: David Brown, Director of Governance and Compliance (Monitoring Officer)**

**Report Reference No: AG/24/23-24**

**Ward(s) Affected: (All Wards)**

### **Purpose of Report**

- 1 This report presents revised Terms of Reference for the Audit and Governance Committee, as considered and prepared by the working group established.

### **Executive Summary**

- 2 At the July 2023 meeting, this committee received a report recommending the establishment of a working group to review its Terms of Reference, making recommendations for any revisions required following the recommendations of the CIPFA review of the committee.
- 3 The working group has met regularly since the July report and presented in Appendix 1 is a “tracked changes” version of the Terms of Reference, identifying amendments and revisions. Appendix 2 sets out the proposed Terms of Reference with the changes accepted.
- 4 Following consideration and agreement to the proposed Terms of Reference, these will be recommended to full Council for adoption at the 27 February 2024 meeting.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- a) Recommend to full council the adoption of the Committee terms of reference at Appendix 2

**Background**

- 5 The current terms of reference for the Audit and Governance Committee are available to view in the Council's Constitution – Chapter 2, Part 4, starting on page 31.
- 6 The findings of the CIPFA review of the Audit and Governance Committee were presented to the June 2023 meeting of the Committee. 11 recommendations were made in CIPFA's report, including a review of the Terms of Reference for the committee. This is to ensure the committee has a clear purpose, role and position within the governance arrangements at Cheshire East Council
- 7 In July 2023, the Committee endorsed the approach proposed to review the Terms of Reference, appointing a politically balanced working group to review and update the Audit and Governance Committee. The working group's Terms of Reference are set out in Appendix 3.
- 8 The timescale for the working group was to report its initial proposals to the Audit and Governance Committee at the 28 September 2023 meeting, and its final report to the Committee on 7 December 2024; the final recommendation for any amendments would be recommended to Council for adoption within the Constitution at the 27 February 2023 meeting.
- 9 The working group established included
  - i. Cllr Michael Beanland
  - ii. Cllr Ken Edwards
  - iii. Cllr Marilyn Houston
  - iv. Cllr Garnet Marshall
  - v. Cllr Patrick Redstone
  - vi. Mr Ron Jones (co-opted independent member)
  - vii. Mrs Jennifer Clarke (co-opted independent member)

- 10 The working group has been supported by advice and guidance from the Director of Governance and Compliance, the Director of Finance and Customer Services, the Head of Audit and Risk, Audit Manager and the committee's Democratic Services officer.
- 11 Appendix 1 sets out the current terms of reference for the Committee, with tracked changes showing the proposed amendments. Appendix 2 sets out the proposed terms of reference in full. Changes to each section of the terms of reference are summarised and explained below.

Governance/Statement of Purpose

- 12 Additional content has been included here to
- i. Clarify that the Chair and Vice Chair of the Audit and Governance Committee should not be appointed as the Chair and Vice Chair of Service Committees. In order to ensure the Committee is apolitical in nature, the working group also agreed that members of the Audit and Governance Committee should not have held senior positions within political groups including group whip/administrator and that this should be included in the terms of reference.
  - ii. Phrasing on the "Statement of Purpose" has been revised to include text from the CIPFA Model Code, to ensure that the remit and responsibilities of the Committee are set out clearly, and to ensure prominence is given to the Committee's responsibility in relation to the Committee's responsibilities for promoting high standards of Councillor's behaviour.

Governance, risk and control

- 13 Changes in this section cover inclusions from the CIPFA Model Code, again to ensure that the remit and scope of the Committee is set out clearly in respect of these areas, and to provide distinction on this Committee's role in relation to service Committees.

Internal Audit

- 14 Changes in this section re-introduce sections from the CIPFA Model Code, which were previously removed; however, the content this relates to in terms of the reports from Internal Audit has still been provided to the Committee. The opportunity has also been taken to make minor changes to phrasing and consequential amendments such as changes of job titles.

External Audit

- 15 Additional sections have been introduced in this part of the Terms of Reference to ensure that the Committee's role and relationship with the Council's external auditors is very clearly set out.

Annual Statement of Accounts

- 16 Additional phrasing from the CIPFA model Code is included to ensure the Committee's scope and responsibility is clear.
- 17 The section on related functions has been removed in the proposed Terms of Reference; these aspects of the Terms of Reference are specific to Cheshire East Council, however, there are other elements of the Committee's Terms of Reference which provide for these specific reports being brought to the Committee; for example;
- i. consider reports, both internal and external, on the effectiveness of internal controls and monitor the implementation of agreed actions.*
  - ii. consider reports on the effectiveness of financial management arrangements, including compliance with the CIPFA Financial Management Code.*

Standards Arrangements

- 18 The amendment in this section updates the date reference, for the adoption of the current Code of Conduct by Council in October 2022.
- 19 There are no changes proposed to the name or size of the Audit and Governance Committee.
- 20 To complement the revised Terms of Reference, officers will be drafting a further internal document to be maintained by the Committee members and officers, which will give examples of the reports currently provided to the Committee under the elements of the Terms of Reference, indicating the frequency of the report being provided for example, and the assurances it provides.

**Consultation and Engagement**

- 21 Review of the Committee's Terms of Reference has been carried out by the working group, as agreed by the Committee at the meeting on 27 July 2023. The working group's Terms of Reference are set out in Appendix 3.

**Reasons for Recommendations**

- 22 Reviewing the existing Terms of Reference ensures the Committee has the opportunity to reflect on the issues raised in the review of the Committee, consider the good practice model and guidance developed

by CIPFA and identify changes which will contribute to improving the overall effectiveness of the Council's Audit and Governance Committee.

### **Other Options Considered**

- 23 No other options considered; the approach to the review of the Committee Terms of Reference was endorsed at the July 2023 meeting. Any further amendments or proposals should be considered in the discussion on this item, and if approved by the Committee would form the final proposed Terms of Reference being recommended to Council for adoption.

### **Implications and Comments**

#### *Monitoring Officer/Legal*

- 24 The review of the Council's Audit and Governance Committee has been carried out against CIPFA's guidance and view on audit committee practice and principles that local government bodies in the UK should adopt.
- 25 Changes proposed align the Committee's Terms of Reference with good practice, reflect the views of the working group and will be recommended to Council, who have the authority to amend the Constitution to include them. Adoption of the proposed Terms of Reference seek to achieve clarity on the clear purpose, role and position of the Committee within the governance arrangements at Cheshire East Council.
- 26 The adoption of the changes to the Terms of Reference will be communicated to the officers who regularly support the Committee to ensure any changes to report content is implemented promptly.

#### *Section 151 Officer/Finance*

- 27 There are no changes to the Council's medium term financial strategy arising from this report. Changes to working practices and the changes to the Committee's Terms of reference will be part of business as usual for the services which support the Audit and Governance Committee.

#### *Policy*

- 28 The review of the Council's Audit and Governance Committee has been carried out against the position statement, and the detailed supporting guidance; any changes arising from the review will seek to ensure the Committee adopts and acts in accordance with best practice guidance.

- 29 Ensuring the effective working of the Audit and Governance Committee supports the Council's "Open" aim in the Corporate Plan 2021-2025; ensuring there is transparency in all aspects of council decision making.

**An open and enabling organisation.**

- ensuring there is transparency in all aspects of council decision making

*Equality, Diversity and Inclusion*

- 30 There are no equality implications arising from this report.

*Human Resources*

- 31 There are no human resources implications arising from this report.

*Risk Management*

- 32 The review of the Committee terms of reference manages the risk that the Council's Audit and Governance Committee is ineffective. The Committee will review the application of the Terms of Reference, and any concerns or further changes can be discussed as needed. The Committee's Annual Report to Council provides an opportunity to reflect on how the changes to the Terms of Reference have worked in practice, and to demonstrate the effectiveness of the Committee.

*Rural Communities*

- 33 There are no rural communities' implications arising from this report.

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

- 34 There are no Children and Young People/Cared for Children implications arising from this report.

*Public Health*

- 35 There are no public health implications arising from this report.

*Climate Change*

- 36 There are no climate change implications arising from this report.

**Access to Information**

Contact Officer:	Josie Griffiths, Head of Audit and Risk Management josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix 1 – Committee Terms of Reference with tracked changes  Appendix 2 – Committee Terms of Reference with changes accepted  Appendix 3 – Working Group Terms of Reference
Background Papers:	CIPFA Review of the Audit and Governance Committee  (Audit and Governance Committee 8th June 2023)  Review of the Audit and Governance Committee Terms of Reference Working Group  (Audit and Governance Committee 27 July 2023)

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**Audit and Governance Committee**  
**Terms of Reference**

**Audit and Governance Committee**

Membership: 9 Councillors (excluding the Leader and Deputy and Chairs of the service Committees) and 2 co-opted independent members.

**Governance**

The success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining political also places a duty on Councillors not to make inappropriate use of information provided to the Committee for other purposes.

The Chair and Vice Chair of the Audit and Governance Committee should not be appointed [as the Chair and Vice Chair](#) to service Committees.

Members may not review decisions as part of the Audit and Governance Committee that they have made as a member of another Committee.

[Members who hold senior positions in political groups should not be appointed to the Audit and Governance Committee. A delay of 12 months should be followed before Members who have previously held senior positions in the Council are appointed to the Audit and Governance Committee.](#)

Co-opted independent members are appointed for a four-year period and may vote on advisory matters ~~(pursuant to a Council resolution on 22 October 2015).~~

To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.

**Statement of Purpose**

1) The Audit [and Governance](#) Committee is a key component of the Council's corporate governance.

It provides:

- a) promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including other persons acting in a similar capacity).
- b) [an independent and high-level focus on audit, \(internal and external\) assurance and reporting arrangements](#) that underpin good governance and financial standards;
- c) [independent review and focus on the adequacy](#) of the Council's governance, risk management, [and](#) control frameworks and oversees the financial reporting and annual governance processes;

2) The Committee receives reports and assurances from across the organisation. In doing so the Committee will consider the effectiveness of the arrangements described, identifying further information needed and/or making recommendations for improvements and additional action required, [which can include further reporting on matters to those charged with governance.](#)

3) [Its role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance \(Council\) that those arrangements are effective. The Committee's oversight of these areas ensures that there are adequate arrangements in place for both internal challenge and public accountability.](#)

~~4) It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.~~

5) The Committee will report to full Council on a regular basis on the Committee's performance and effectiveness [in meeting its purpose.](#)

~~2)6)~~ [Committee members can request items for consideration by the Committee for inclusion on the Work Programme agenda or referral to the relevant service committee.](#)

***Governance, risk and control***

~~3)7)~~ To consider the Council's corporate governance arrangements against the good governance framework, [including the ethical framework, local code of governance, and](#) annual governance reports and assurances.

~~4)8)~~ To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, including an agreed action plan for improvements where necessary.

~~5)9)~~ To consider the effectiveness of the system of risk management arrangements by receiving regular reports on the adequacy and effectiveness of the Council's risk management and reporting arrangements, ~~and receive assurance that actions have been taken as necessary.~~

~~6)10)~~ To review the Council's Risk Management Policy and Framework and recommend it for approval by Corporate Policy Committee.

11) To consider reports, both internal and external, on the effectiveness of internal controls and monitor the implementation of agreed actions.

12) To consider reports on the effectiveness of financial management arrangements, including compliance with the CIPFA Financial Management Code.

13) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements

~~7)14)~~ To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

~~8)15)~~ To monitor the counter-fraud strategy, actions and resources.

~~9)16)~~ To review the governance and assurance arrangements for significant partnerships or collaborations.

#### **Internal Audit**

~~10)17)~~ To approve the internal audit charter.

18) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

~~11)19)~~ To approve significant interim changes to the risk-based internal audit plan and resource requirements.

~~12)20)~~ To consider reports from the Head of Audit and Risk Management on internal audit's performance during the year, including:

- a) Updates on the delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations.
- b) reports on Internal Audit's effectiveness and compliance with the Quality Assurance and Improvement Programme (QAIP), including conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and the results of the external assessment review of Internal Audit when due. Consider whether non-conformance with PSIAS and LGAN is significant enough that it must be included in the AGS.

~~13)21)~~ To make appropriate enquiries of both management and the Head of Audit and Risk Management to determine if there are any inappropriate scope or resource limitations.

~~14)22)~~ To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.

23) Receive the annual report from the Head of Audit and Risk Management setting out

- a) internal activity during the year, and an opinion on the level of assurance as to the overall adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- b) The statement of the level of internal audit's conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.

~~15)24)~~ To consider summaries of specific internal audit reports as requested.

25) To receive reports outlining the action taken where the Head of Audit and Risk Management has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

26) To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

27) To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations

28) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **External Audit**

29) To oversee the process by which the Council's external auditor is appointed.

30) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

31) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

~~16)~~32) To comment on the scope and depth of external audit work and to ensure it gives value for money.

~~17)~~33) To consider specific reports as agreed with the external auditor.

~~18)~~34) To consider additional commissions of work from external audit.

~~19)~~35) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Annual Statement of Accounts**

~~20)~~36) To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

~~21)~~37) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

38) Monitor management actions in response to issues raised by the external auditor.

~~22)~~39) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

### **Related Functions**

~~23)~~40) Subject to the requirements set out below, to consider findings of the Local Government and Social Care Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary or which arise from or are as a result of the Ombudsman's findings.

- ~~a) There are statutory obligations which will, in some circumstances, require reports to be taken to Council or a Committee.~~
- ~~b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.~~

~~24)~~41) To oversee the operation of the Contract Procedure Rules and provide assurance in respect of procurement and significant partnerships or collaborations.

### **Standards Arrangements**

~~25)~~42) The Committee is responsible for the Council's standards arrangements to:

- (a) promote high standards of ethical behaviour.
- (b) develop, maintain and update Codes of Conduct and protocols
- (c) Training the Audit and Governance Committee

~~26)~~43) The Committee is responsible for monitoring and advising Council about the operation of its Code of Conduct for Councillors in the light of best practice and any changes in the law.

~~27)~~44) The Committee will approve the arrangements for dealing with allegations that a Councillor or a town/parish Councillor within the borough has failed to comply with the relevant Councillors' Code of Conduct.

~~28)~~45) To assist the Council with the appointment of Independent Persons as required by the Localism Act 2011 and any independent persons under other secondary legislation.

~~29)46)~~ To determine any request for a dispensation under Section 33 of the Localism Act 2011, where not determined by the Monitoring Officer or to appeal against a determination by the Monitoring Officer.

~~30)47)~~ To respond on behalf of the Council to national reviews and consultations on standards related issues.

~~31)48)~~ To consider and make recommendations to Full Council on any other matter that may be referred to the Standards Committee relating to the conduct and training of Councillors.

~~32)49)~~ To review, advise, monitor and report to Full Council on member training.

~~33)50)~~ To recommend proposals to Full Council for changes to the constitution in respect of any governance or standards matters, except where specifically delegated to the Monitoring Officer.

~~34)51)~~ Council on [19 October 2022](#) approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available on request.

### **Hearing Sub-Committee**

~~35)52)~~ The Hearing Sub-Committee is appointed to consider complaints that a Councillor has breached the Code of Conduct under the Council's arrangements adopted under the Localism Act 2011. It has 3 Councillors drawn from the Audit and Governance Committee.

~~36)53)~~ The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different political group to any subject member. Where practicable the Vice Chair will be from a different political group from the Chair.

~~37)54)~~ An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views will be sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the Councillor's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

~~38)55)~~ The requirement for political balance under section 15 of the Local Government and Housing Act 1989 is waived in relation to the subcommittee.

~~39)56)~~ Before a Councillor can attend a meeting and participate in the business of the meeting, the determination of any Code of Conduct matter, the Councillor must attend a suitable training course dealing with the quasi-judicial nature of the role of the Sub-Committee.

~~40)57)~~ Where the Committee finds that a failure to comply with the Code of Conduct has occurred, the Hearing Sub-Committee will determine what action, if any, to take and to apply the sanction or recommend to Council to apply an appropriate sanction.

**Audit and Governance Committee**  
**Terms of Reference**

**Audit and Governance Committee**

Membership: 9 Councillors (excluding the Leader and Deputy and Chairs of the service Committees) and 2 co-opted independent members.

**Governance**

The success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining political also places a duty on Councillors not to make inappropriate use of information provided to the Committee for other purposes.

The Chair and Vice Chair of the Audit and Governance Committee should not be appointed as the Chair and Vice Chair to service Committees.

Members may not review decisions as part of the Audit and Governance Committee that they have made as a member of another Committee.

Members who hold senior positions in political groups should not be appointed to the Audit and Governance Committee. A delay of 12 months should be followed before Members who have previously held senior positions in the Council are appointed to the Audit and Governance Committee.

Co-opted independent members are appointed for a four-year period and may vote on advisory matters.

To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.

**Statement of Purpose**

- 1) The Audit and Governance Committee is a key component of the Council's corporate governance.

It provides:

- a) promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including other persons acting in a similar capacity).
  - b) an independent and high-level focus on audit, (internal and external) assurance and reporting arrangements that underpin good governance and financial standards;
  - c) independent review and focus on the adequacy of the Council's governance, risk management, and control frameworks and oversees the financial reporting and annual governance processes.
- 2) The Committee receives reports and assurances from across the organisation. In doing so the Committee will consider the effectiveness of the arrangements described, identifying further information needed and/or making recommendations for improvements and additional action required, which can include further reporting on matters to those charged with governance.
  - 3) Its role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance (Council) that those arrangements are effective. The Committee's oversight of these areas ensures that there are adequate arrangements in place for both internal challenge and public accountability.
  - 4) The Committee will report to full Council on a regular basis on the Committee's performance and effectiveness in meeting its purpose.
  - 5) Committee members can request items for consideration by the Committee for inclusion on the Work Programme agenda or referral to the relevant service committee.

***Governance, risk and control***

- 6) To consider the Council's corporate governance arrangements against the good governance framework, including the ethical framework, local code of governance, and annual governance reports and assurances.
- 7) To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, including an agreed action plan for improvements where necessary.
- 8) To consider the effectiveness of the system of risk management arrangements by receiving regular reports on the adequacy and effectiveness of the Council's risk management and reporting arrangements.

- 9) To consider reports, both internal and external, on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10) To consider reports on the effectiveness of financial management arrangements, including compliance with the CIPFA Financial Management Code.
- 11) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- 12) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 13) To monitor the counter-fraud strategy, actions and resources.
- 14) To review the governance and assurance arrangements for significant partnerships or collaborations.

#### **Internal Audit**

- 15) To approve the internal audit charter.
- 16) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 17) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 18) To consider reports from the Head of Audit and Risk Management on internal audit's performance during the year, including:
  - a) Updates on the delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations.
  - b) reports on Internal Audit's effectiveness and compliance with the Quality Assurance and Improvement Programme (QAIP), including conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and the results of the external assessment review of Internal Audit when due. Consider whether non-conformance with PSIAS and LGAN is significant enough that it must be included in the AGS.
- 19) To make appropriate enquiries of both management and the Head of Audit and Risk Management to determine if there are any inappropriate scope or resource limitations.
- 20) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.
- 21) Receive the annual report from the Head of Audit and Risk Management setting out
  - a) internal activity during the year, and an opinion on the level of assurance as to the overall adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
  - b) The statement of the level of internal audit's conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
- 22) To consider summaries of specific internal audit reports as requested.
- 23) To receive reports outlining the action taken where the Head of Audit and Risk Management has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24) To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25) To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations
- 26) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.



**External Audit**

- 27) To oversee the process by which the Council's external auditor is appointed.
- 28) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 29) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 31) To consider specific reports as agreed with the external auditor.
- 32) To consider additional commissions of work from external audit.
- 33) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

**Annual Statement of Accounts**

- 34) To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 35) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 36) Monitor management actions in response to issues raised by the external auditor.
- 37) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

**Standards Arrangements**

- 38) The Committee is responsible for the Council's standards arrangements to:
  - (a) promote high standards of ethical behaviour.
  - (b) develop, maintain and update Codes of Conduct and protocols
  - (c) Training the Audit and Governance Committee
- 39) The Committee is responsible for monitoring and advising Council about the operation of its Code of Conduct for Councillors in the light of best practice and any changes in the law.
- 40) The Committee will approve the arrangements for dealing with allegations that a Councillor or a town/parish Councillor within the borough has failed to comply with the relevant Councillors' Code of Conduct.
- 41) To assist the Council with the appointment of Independent Persons as required by the Localism Act 2011 and any independent persons under other secondary legislation.
- 42) To determine any request for a dispensation under Section 33 of the Localism Act 2011, where not determined by the Monitoring Officer or to appeal against a determination by the Monitoring Officer.
- 43) To respond on behalf of the Council to national reviews and consultations on standards related issues.
- 44) To consider and make recommendations to Full Council on any other matter that may be referred to the Standards Committee relating to the conduct and training of Councillors.
- 45) To review, advise, monitor and report to Full Council on member training.
- 46) To recommend proposals to Full Council for changes to the constitution in respect of any governance or standards matters, except where specifically delegated to the Monitoring Officer.
- 47) Council on 19 October 2022 approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available on request.

**Hearing Sub-Committee**

- 48) The Hearing Sub-Committee is appointed to consider complaints that a Councillor has breached the Code of Conduct under the Council's arrangements adopted under the Localism Act 2011. It has 3 Councillors drawn from the Audit and Governance Committee.
- 49) The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different political group to any subject member. Where practicable the Vice Chair will be from a different political group from the Chair.
- 50) An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views will be sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the Councillor's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.
- 51) The requirement for political balance under section 15 of the Local Government and Housing Act 1989 is waived in relation to the subcommittee.
- 52) Before a Councillor can attend a meeting and participate in the business of the meeting, the determination of any Code of Conduct matter, the Councillor must attend a suitable training course dealing with the quasi-judicial nature of the role of the Sub-Committee.
- 53) Where the Committee finds that a failure to comply with the Code of Conduct has occurred, the Hearing Sub-Committee will determine what action, if any, to take and to apply the sanction or recommend to Council to apply an appropriate sanction.



## APPENDIX 3

Terms of Reference of Working Group – Review of the Terms of Reference for the  
Audit and Governance Committee

**Composition:** 5 members of the Audit and Governance Committee, politically balanced (x 2 Labour, x 2 Conservative, x 1 Independent) Co-opted Independent Member

**Members:** To be confirmed Officer Support: Director of Governance and Compliance, Director of Finance & Customer Service, Head of Audit & Risk Management with additional officers or deputies as required.

**Democratic Services Support:** To be confirmed

**Duration:** Creation 27 July 2023 - Dissolution 7 December 2023

**Type and frequency of meeting:** Fortnightly, until end of September 2023, thereafter as and when required until December 2023. Informal meeting which default to remote access unless members indicate a need for in person meeting.

**Purpose:** The working group is to progress with the CIPFA action plan recommendation to review the Audit and Governance Committee Terms of Reference, to

- Interim report to Audit and Governance Committee 28 September 2023
- Final report to Committee 7 December 2023
- Final report to Council 27 February 2024

**Terms of Reference**

1. To consider the findings and recommendations of the CIPFA Review of the Audit and Governance Committee in relation to the Committee's existing Terms of Reference.
2. To consider CIPFA 2022 Guidance 'Audit Committees: Practical Guidance for Local Authorities And Police (2022 edition)'
3. To review the current terms of reference for the Audit and Governance Committee (Chapter 2 Part 4 page 31)
4. To make recommendations to the Audit and Governance Committee in relation to any amendments to the committee terms of reference

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OPEN

## **Audit and Governance Committee**

**Thursday, 7 December 2023**

### **Audit and Governance Committee - Progress Against CIPFA Review Actions**

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**Report of: Director of Governance and Compliance (Monitoring Officer)**

**Report Reference No: AG/21/23-24**

**Ward(s) Affected: All**

#### **Purpose of Report**

- 1 This report provides the Audit and Governance Committee with progress on the implementation of actions agreed after the CIPFA review of the Audit and Governance Committee. An effective Audit and Governance Committee supports the Council's aim in the Corporate Plan 2021-2025 of ensuring transparency in all aspects of council decision making.
- 2 In both commissioning CIPFA to undertake the review, and in agreeing and implementing the actions arising from it, the organisation recognises the value of the Audit and Governance Committee, and the need for it to strive for continuous improvement to remain effective and actively add value to the organisations overall governance arrangements.

#### **Executive Summary**

- 3 Details of the progress made in implementing the actions arising from the CIPFA review, as endorsed by the Audit and Governance Committee in June 2023, are set out in Appendix 1 to this report.
- 4 Positive progress is being made against the 11 recommendations and 23 actions. This includes an appointment to the second co-opted independent Committee member role at full Council in October 2023,

the introduction of all-Committee member briefings, and pre/post meetings between the Chair and Vice Chair and lead officers for the Committee.

#### RECOMMENDATIONS

The Audit and Committee is recommended to:

1. Note the progress made on the implementation of actions following the CIPFA review of the Audit and Governance Committee.
2. Identify any further actions required to ensure that the Audit and Governance Committee operates as effectively as possible.

#### Background

- 5 In July 2022, following the publication of an updated position statement for Audit Committees from CIPFA (Appendix 3), the Audit and Governance Committee endorsed a review of the Committee to be undertaken by CIPFA, against their updated guidance “Audit committees: practical guidance for local authorities and police.”
- 6 As agreed by the Committee in March 2023, the CIPFA report was shared at a workshop in April 2023, held with the Members of the Audit and Governance Committee, and the officers who advise and support the Committee. In that workshop, a series of actions were developed in response to the report’s action plan.
- 7 The recommendations and actions were shared with the Committee in June 2023, and following endorsement of these at that meeting, Officers and Members have been working on implementing these. A detailed update on these is provided in Appendix 1.
- 8 In addition to the appointment of the second co-opted independent Committee member role at full Council in October 2023, the introduction of all-Committee member briefings, and pre/post meetings between the Chair and Vice Chair and lead officers for the Committee, briefings and training sessions have been held for Members.
- 9 One of the larger pieces of work arising from the CIPFA review, and intrinsic to a number of the agreed actions, is the review of the Committee’s Terms of Reference. The working group has met several times and progressed the review of the existing Terms of Reference

against the CIPFA model code and the outcome of CIPFA's review. The outcome of the working group's review; a revised set of Terms of Reference is proposed to the Committee elsewhere on the agenda.

- 10 Of the 23 actions set out in detail in Appendix 1, work has either completed, or is in hand on all, apart from those which will be picked up in the preparation of the 23/24 Annual Report of the Committee.
- 11 The changes in approach engendered by the CIPFA Review, training and follow up work is demonstrated by the committee's approach to a recent "No Assurance" internal audit report. This has resulted in members of the committee (Chair and Vice Chair) being engaged in meetings with Chairs of other committees, a plan to maintain an assurance oversight of progress, and ultimately to be able to give assurance of real progress.

### **Consultation and Engagement**

- 12 Members of the 22/23 Committee participated in the CIPFA review. Members of the 23/24 Committee have been engaged with the implementation of the actions through reports to the Committee, and through the Terms of Reference working group.

### **Reasons for Recommendations**

- 13 Adopting and implementing the actions discussed at the Member and Officer workshop demonstrates that Committee's terms of reference reflect the current good practice model, shared in the CIPFA guidance. These, along with practical changes set out in the actions, seek to improve the overall effectiveness of the Council's Audit and Governance Committee and demonstrate the Council's committee to strong governance.

### **Other Options Considered**

- 14 Not applicable – this is an update report for the Committee.

### **Implications and Comments**

#### *Monitoring Officer/Legal*

- 15 The position statement, Appendix 3, represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. The review of the Council's Audit and Governance Committee has been carried out against the position statement, and the detailed supporting guidance.

- 16 A detailed paper on the proposed changes to the Committee's Terms of Reference is elsewhere on the Committee's agenda for it to recommend the adoption of this to Full Council.

*Section 151 Officer/Finance*

- 17 There are no changes to the Council's medium term financial strategy arising from this report. Changes to working practices and the changes to the Committee's Terms of reference will be part of business as usual for the services which support the Audit and Governance Committee.

*Policy*

- 18 The review of the Council's Audit and Governance Committee has been carried out against the position statement, and the detailed supporting guidance; any changes arising from the review will seek to ensure the Committee adopts and acts in accordance with best practice guidance. Ensuring the effective working of the Audit and Governance Committee supports the Council's "Open" aim in the Corporate Plan 2021-2025; ensuring there is transparency in all aspects of council decision making.

*Equality, Diversity and Inclusion*

- 19 There are no equality implications arising from this report.

*Human Resources*

- 20 There are no human resources implications arising from this report.

*Risk Management*

- 21 The adoption of the recommendations and actions arising from the review is intended to manage the risk of the Council's Audit and Governance Committee being ineffective. In receiving update reports on progress in the implementation of the actions, the Committee will be able to reflect on whether the actions are achieving the desired outcome.

*Rural Communities*

- 22 There are no rural communities implications arising from this report.

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

- 23 There are no Children and Young People/Cared for Children implications arising from this report.

*Public Health*

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

*Climate Change*

25 There are no climate change implications arising from this report.

<b>Access to Information</b>	
Contact Officer:	Josie Griffiths, <a href="mailto:josie.griffiths@cheshireeast.gov.uk">josie.griffiths@cheshireeast.gov.uk</a>
Appendices:	Appendix 1: Committee Action Plan with Progress
Background Papers:	CIPFA Review of the Audit and Governance Committee – ( <a href="#">Item 7, Report and Appendices, Audit and Governance Committee 8 June 2023</a> )

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<b>Recommendation 1:</b> Update the Audit and Governance Committee’s terms of reference to set out its purpose, role and position within the governance arrangements at Cheshire East Council and its activities in relation to risk management. In particular, focus on its ability to make a difference and to support the Council to operate more effectively. Consider if the Committee’s name appropriately reflects its role. Consider if its size could be reduced.			
Ref	Proposed Actions	Responsible person and date	October 2023 Update
1	<p>The Committee Terms of Reference will be updated to address the issues identified in the comparison between the Committee’s current Terms of Reference and the July 2022 CIPFA guidance provided by CIPFA.</p> <p>A detailed report will be brought to a future meeting of the Audit and Governance Committee to consider and recommend new Terms of Reference to Council for adoption.</p>	<p><b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance.</p> <p><b>Timescale:</b> To be scheduled on Work Programme; first report to July 27<sup>th</sup>, 2023, meeting, Audit and Governance Committee, 18<sup>th</sup> October 2023 Council.</p>	<p>The Audit and Governance Committee received a report on July 27 2023. The Committee endorsed the creation of a working group to review and update the Terms of Reference.</p> <p>The working group has met fortnightly to review the existing ToR, using the recommended actions from the CIPFA Review, and the CIPFA guidance, including the model code.</p> <p>Terms of Reference will be presented to the 8 December meeting for the Committee to recommend onto full Council.</p>
2	<p>Time to be scheduled for meeting preparation and post meeting debriefs. Key attendees for these would be the Chair, Vice Chair, relevant officers, and the democratic services officer. This would ensure any requests, issues or concerns from the Committee can be considered in further detail, and the appropriate form of presentation or report to meet requirements can be agreed upon and be prepared accordingly.</p>	<p><b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance.</p> <p><b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair, relevant officers before July 27<sup>th</sup> meeting.</p>	<p>Meetings are now diarised for the Committee Chair, Vice Chair and lead officers. These are scheduled to happen for post meeting de-briefs, interim meetings, and pre-meeting briefings.</p>
3	<p>Meeting attendees should be in mixed seating rather than political groupings, to emphasise the apolitical nature of the Committee. Formal</p>	<p><b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance.</p>	<p>Seating at meetings is now mixed amongst political groups.</p>

Appendix 1: Cheshire East Council: Audit and Governance Committee Review –Progress update against Action Plan

	and informal party politics and political behaviours need to be avoided in the Committee	<b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair, relevant officers before July 27 <sup>th</sup> meeting.	Induction training for members, including substitutes emphasises the need for apolitical behaviours.
4	Progress appointment of the second co-opted independent person to the Committee. Progress appointment of the second co-opted independent person to the Committee.	<b>Responsibility:</b> Head of Audit and Risk with support from Democratic Services, and engagement from Audit and Committee Chair, Vice Chair and Members.  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair, relevant officers before July 27 <sup>th</sup> meeting.	The Committee agreed to progress the recruitment to the second co-opted person to the Committee at its meeting on 27 July 2023.  Following a successful recruitment process, Mrs Jennifer Clark has been appointed as the second co-opted member at full Council on 18 October.

**Recommendation 2:**

Once the Committee's terms of reference has been revised, look for ways to reduce the length of the agenda, including identifying items that could be dealt with outside the committee cycle and reporting only those matters where audit committee input is needed. The briefing sessions should be used to this effect. Keep the audit committee and standards roles separate.

Ref	Proposed Actions	Responsible person and date	October 2023 Update
5	Agenda items should be clearly linked to the Committee's Terms of Reference. Each report to the Committee should be clear on why the report is being brought to the Committee, the decision or response needed by the Committee, and what assurances the report provides.	<b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance, Director of Finance and Customer Services and report authors.  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	Report writers will be being encouraged to include clear links to the Committee's Terms of Reference. This will be checked through the report review and clearance processes.
6	The Work Programme and/or Terms of Reference should include an indication of how frequently each aspect of the Terms of Reference needs to be addressed; for example, the work programme needs to be reviewed at	<b>Responsibility:</b> Head of Audit and Risk, Democratic Services Officer and report authors.	Following the review and refresh of the Terms of Reference, a supplementary document for the Committee will be created, which will advise on these aspects. This will be an

Appendix 1: Cheshire East Council: Audit and Governance Committee Review –Progress update against Action Plan

	each meeting, whilst some reports are received annually only.	<b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting	informal document for the Committee's benefit.
7	Retain public speaking on the agenda for each meeting but should follow the usual time allowances set out in Committee Procedure Rules.	<b>Responsibility:</b> Democratic Services, Chair and Vice Chair <b>Timescale:</b> Can be implemented once endorsed.	Public Speaking has been retained on the agenda. The usual timing allowances are recommended to be followed and have been followed since May 2024.
8	Agreement on taking reports for noting and managing agenda length will be discussed with the Chair and Vice Chair and senior officers supporting the discussion, with briefing sessions for the full Committee on the forthcoming meeting agenda items being introduced.	<b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance, Director of Finance and Customer Services, Chair and Vice Chair. <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	Agenda items, agenda length and the appropriate format of report are discussed as part of the post meeting/preparation meetings between lead officers and the Chair and Vice Chair.  All committee member briefings for each meeting have been introduced.
9	As contract non-adherences and waivers are reported to the Finance Sub-Committee, to avoid duplication, these should not be brought to the Audit and Governance Committee, unless there are specific concerns identified by Finance Sub Committee around trends and patterns which should be brought to Audit and Governance Committee.	<b>Responsibility:</b> Director of Finance and Customer Services <b>Timescale:</b> Can be implemented once endorsed.	The annual procurement report, which included the detail on contract non-adherences and waivers trends for the year was reported to the Audit and Governance Committee in July 2023.  No concerns have been raised by the Finance Sub Committee for consideration by the Audit and Governance Committee since May 2023.
10	When the Committee agenda requires consideration of Code of Conduct/standards items, the agenda should be arranged to provide a clear break between these items.	<b>Responsibility:</b> Director of Governance and Compliance, Democratic Services Officer <b>Timescale:</b> Can be implemented once endorsed, and as required.	No Code of Conduct items have been required to be considered by the Committee since May 2024.

			As and when this is necessary, the Committee agenda will be arranged to ensure there is a clear break between other agenda items, and Code of Conduct matters.
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### Recommendation 3

Develop person specifications for the chair of the audit committee and its members. Carry out a skills audit of the committee and develop a relevant training programme, both to support those who are new to the Committee and as a refresher for more experienced members. Training should support members to discuss and agree how the Committee is going to address a topic and should be undertaken both to share knowledge and to develop an appropriate culture for the Committee. We suggest that the training offered and the take up are included in the annual report of the Committee (see recommendation 9) and also in the AGS. Training should be mandatory for all committee members at the start of each electoral term and when joining or returning to the Committee mid-term

Ref	Proposed Actions	Responsible person and date	October 2023 Update
11	A skills audit can be carried out early in the term of the new Committee, and this will inform the programme of training and informal briefings to develop the Committee's overall knowledge and understanding.	<p><b>Responsibility:</b> Head of Audit and Risk, Democratic Services</p> <p><b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27<sup>th</sup> meeting.</p>	<p>A skills audit will be carried out before the end of 2023, with the results being used to inform a programme of training.</p> <p>Committee members and substitutes have all received induction training. Members have been invited to sessions on the preparation of the statement of accounts and the work of internal audit.</p>
12	Training offer and take up to be included in the annual report of the Committee, the Annual Governance Statement. Additionally, the wider Member Training offer and take up will be included in the annual Monitoring Officer report to the Committee.	<p><b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance.</p> <p><b>Timescale:</b> Can be implemented once endorsed.</p>	This content will be included in the Committee's Annual Report 2023/24.

<b>Recommendation 4</b>			
Consider asking each party to nominate a committee substitute who will be trained in the same way as a permanent member of the committee. Only these trained substitutes should be allowed to cover for an absent member.			
Ref	Proposed Actions	Responsible person and date	October 2023 Update
13	This is currently happening informally, as substitutes are provided with induction training, and the same substitutes tend to be used. By asking groups for nominated substitutes, these substitutes would be invited to briefings and training sessions to ensure their level of knowledge is maintained. The Terms of Reference will retain reference to trained substitutes being able to cover absences.	<b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance, Group Leaders and Administrators <b>Timescale:</b> Can be implemented once endorsed.	Since May 2023, any substitutes who have needed to attend the Committee received induction training, and briefing on the items on the agenda for the meeting they are covering.  The Terms of Reference will include reference to trained substitutes being able to cover absences.

<b>Recommendation 5:</b>			
Consider requiring a delay before members who have previously held senior positions in the council are included on the Audit and Governance Committee. Consider also excluding members who are senior in political groups.			
Ref	Proposed Actions	Responsible person and date	October 2023 Update
14	The adoption of the delay in joining the Audit and Governance Committee, for members who have previously held senior positions in the Council, and members who have held senior roles in political groups to be included in the revision of the Committee's Terms of Reference.	1. <b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance, Group Leaders and Administrators <b>Timescale:</b> See Recommendation 1	This is being included in the proposed Terms of Reference.

<b>Recommendation 6:</b> Maintain a strategic approach to risk, focussing on the material matters around risk management arrangements. Taking deep dives into individual strategic risks may be helpful if acting as a risk committee, inviting risk owners to present their risks, to enable a more informed discussion and to increase risk accountability.			
<b>Ref</b>	<b>Proposed Actions</b>	<b>Responsible person and date</b>	<b>October 2023 Update</b>
15	Ensure the revisions to the Terms of Reference emphasise the role of the Committee in receiving assurance on the effectiveness of the risk management framework and risk management processes including “deep dives” on the strategic risk register items.	<b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance,  <b>Timescale:</b> See Recommendation 1	This is being reflected in the proposed Terms of Reference.
16	Provide training to the Audit and Governance Committee on undertaking “deep dive” reviews.	<b>Responsibility:</b> Head of Audit and Risk  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	This will be included in the risk management section of the Committee’s training programme.

<b>Recommendation 7</b> The Audit and Governance Committee must formally review the full accounts, demonstrating their active engagement in this delegated responsibility. If the current arrangements continue, all questions dealt with outside meetings, other than purely technical ones, should be raised and answered in a formal meeting to ensure a transparent discussion. The report accompanying the accounts should set out members’ role, requiring them to challenge, review and approve the accounts rather than noting them.			
<b>Ref</b>	<b>Proposed Actions</b>	<b>Responsible person and date</b>	<b>October 2023 Update</b>
17	A focused workshop on the statement of accounts and the Committee’s role in relation to them will be scheduled, with the expectation that this will enable the Committee to engage positively and constructively in the Committee meetings.	<b>Responsibility:</b> Director of Finance and Customer Services, Head of Financial Services  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	A workshop was held on Friday 28 <sup>th</sup> July for Cheshire East Members.  Further sessions will be arranged after discussion with Committee Members.

<b>Recommendation 8</b>			
Meet internal and external audit separately, formally and in private at least once a year and meet internal audit informally between meetings.			
<b>Ref</b>	<b>Proposed Actions</b>	<b>Responsible person and date</b>	<b>October 2023 Update</b>
18	Meetings with the Chair and Vice Chair of the Committee and the Council's External Auditors prior to each Committee meeting already take place. These could be developed to ensure that the full Committee meet with External Audit at these meetings, or ahead of the Committee a couple of times a year – useful timing of this would probably be to coincide with report on the external audit plan approach, and the completion of their work.	<b>Responsibility:</b> Director of Finance and Customer Services, Head of Financial Services  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	Meetings with the Chair and Vice Chair, and the Council's External Auditors are scheduled ahead of each Committee meeting.  The External Auditors will be invited to meet with the full Committee ahead of the completion report.
19	Meetings with internal audit could be included as part of wider briefing on progress against the annual internal audit plan.	<b>Responsibility:</b> Head of Audit and Risk  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	The Head of Audit and Risk is in regular contact with the Chair and Vice Chair of the Committee.  Members received a briefing on the work of internal audit on 30 October, and further suggestions on briefing the Committee on the work of internal audit are being considered.

<b>Recommendation 9</b>			
The Committee and officers should work together to rebuild trust and a mutually supportive relationship. In particular, members must respect the confidentiality of the information shared with them in the Committee.			
<b>Ref</b>	<b>Proposed Actions</b>	<b>Responsible person and date</b>	<b>October 2023 Update</b>
20	As per proposed action (8), all member briefings will be introduced to ensure members and officers have greater opportunity to discuss the agenda items in detail, and build knowledge and experience, which will support	As per proposed action (8).	These have been introduced and are being held by Teams to facilitate the greatest possible attendance.

Appendix 1: Cheshire East Council: Audit and Governance Committee Review –Progress update against Action Plan

	Members to ask constructively challenging questions in the public Committee meetings.		Feedback from members on the briefings to date has been positive.
21	When appropriate, informal briefings will be used to cover confidential background information on reports. Members and officers would both need to respect the confidentiality of the information being shared and understand the reasons for the need for it to remain confidential. Respecting this will be key to building trust and support between the roles of members and officers	<p><b>Responsibility:</b> Head of Audit and Risk, Director of Governance and Compliance, Director of Finance and Customer Services, Chair, Vice Chair, Group Leaders and Group Administrators.</p> <p><b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27<sup>th</sup> meeting.</p>	<p>Informal briefings have been used to support the S106 internal audit review and its receipt at the 28 September meeting.</p> <p>Officers and Members found this approach to be constructive and useful.</p> <p>This approach will be used as and when needed.</p>
<p><b>Recommendation 10</b></p> <p>Focus Committee discussions and activities towards the future, learning lessons, looking for improvements and supporting solutions that help the Council to operate effectively. Any working groups should be properly constituted.</p>			
<b>Ref</b>	<b>Proposed Actions</b>	<b>Responsible person and date</b>	<b>October 2023 Update</b>
22	The revisions to the Terms of Reference (Proposed Action 1) need to make it clear that the Audit and Governance Committee is a Committee of the Council and serves to ensure that the Council is functioning as it should. A reminder could be given by the Chair at the start of the meeting to provide focus on what is required from the Committee.	As per proposed action (1).	<p>This action has been supported by constructive input from Members and reflected in the recommendations to the Committee in each report.</p> <p>Consideration on how any working groups should be constituted has been addressed on an individual basis and agreed by the Committee.</p>



<b>Recommendation 11</b> Produce an annual report to the Council from the Audit and Governance Committee Chair. Also consider producing a short briefing note from the Chair after each meeting, summarising the key points to be shared with all members.			
Ref	Proposed Actions	Responsible person and date	October 2023 Update
23	An annual report of the Committee to Council is produced, but the observations on how this could be improved in terms of the outcomes and impact of the Committee’s work will be included, along with any recommendations for what the Committee needs to include, or can stop doing, if appropriate. The content of the annual report will also be supported by the regular debrief meetings which will be introduced as per proposed action (2).	<b>Responsibility:</b> Responsibility: Head of Audit and Risk, Democratic Services Officer, Chair, Vice Chair,  <b>Timescale:</b> Arrangements to be discussed with Chair and Vice Chair and relevant officers before July 27 <sup>th</sup> meeting.	This production of the 2023/24 Annual Report of the Committee will reflect the impact of the actions of the review and how they have been implemented.

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## Audit and Governance Committee Work Programme 2023-2024

Report Reference	Audit & Governance Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Corporate Plan Priority	Part of Budget and Policy Framework	Exempt Item
AG/16/21-22	07/12/2023	External Audit - Value for Money Report	To receive the Value for Money report from the External Auditors in relation to the Statement of Accounts.	Director of Finance and Customer Services	No	No	Open	TBC	No
AG/19/23-24	07/12/2023	Internal Audit Update - Progress against Internal Audit Plan 2023-24	To provide Committee with an update on work undertaken by Internal Audit in line with the Internal Audit Plan for 2023/24	Head of Audit and Risk Management	No	No	Open	No	No
AG/21/23-24	07/12/2023	Audit and Governance Committee - Progress Against CIPFA Review Actions	To provide the Committee with progress on the implementation of actions agreed after the CIPFA review of the Audit and Governance Committee	Head of Audit and Risk Management	No	No	Open	No	No
AG/24/23-24	07/12/2023	Proposed Terms of Reference - Audit and Governance Committee	To make recommendations to the Audit and Governance Committee on changes to the Committee's Terms of Reference following the work of the working group and the CIPFA review of the Audit and Governance Committee.	Head of Audit and Risk Management	No	No	Open	No	No
AG/15/21-22	07/03/2024	Whistleblowing Policy	To present proposals for an updated whistleblowing policy to the Audit and Governance Committee	Director of Governance and Compliance	Yes	No	Open; Fair	No	No
AG/20/23-24	07/03/2024	Risk Management Update	To provide the Committee with an update on the effectiveness of risk management arrangements in the Council	Head of Audit and Risk Management	No	No	Open	No	No
AG/22/23-24	07/03/2024	Internal Audit Update - Progress against Internal Audit Plan 2023-24	To provide the Committee with an update on progress against the Internal Audit Plan 2023/24	Head of Audit and Risk Management	No	No	Open	No	No
AG/23/23-24	07/03/2024	Draft Internal Audit Plan 2024/25	To present the Committee with the proposed Internal Audit Plan for 2024/25 for approval	Head of Audit and Risk Management	No	No	Open	No	No

**Audit and Governance Committee  
Work Programme 2023-2024**

AG/25/23-24	25/07/2024	Annual Complaints Report 2023/24	To provide an update on Complaints and customer contact for the period 1st April to 31st March 2024 and to provide assurance that actions arising from complaints and improvements identified are being actioned	Director of Finance and Customer Services	No	No	Open	No	No
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