

## **Questions to Grant Thornton**

**Cllr T Dean asked on behalf of Cllr Liz Wardlaw** - How much has this report cost and who is paying for it and who commissioned it? As a supplementary question, how much has it cost to facilitate this extra full council meeting?

**Grant Thornton response** - We are not yet in a position to confirm the costs of the work to the Council.

**Director of Governance and Compliance response to supplementary** - The meeting has some fixed costs, which include items such as the hire of the sound system and printing and postage of agendas, which equates to approximately £4,000. On this occasion the Council has taken every step it can to reduce the costs, by using its own venue and avoiding any other unnecessary expenditure. Members are also entitled to claim expenses through the Members allowances scheme

**Cllr L Crane** - For those who held Cabinet positions during 2014-2018 but NOT named in the report, do you have any evidence of them speaking out or seeking to rein in the behaviour of Michael Jones?

**Grant Thornton response** – no, the only evidence of such challenge is that provided to us at interview by Councillor Clowes and subsequent document exchange with her and other former Cabinet members. This is all reflected in the report.

**Cllr N Mannion** - Can you clarify if any individual current/former council member(s) may be liable to be surcharged/invoiced towards the cost of the report, or if it falls entirely upon the current Council budget?

**Grant Thornton Response** - The charges for External Auditors sit within the Council's revenue Budget. As such the bill, when moderated by PSAA, will be paid from there. As this is exceptional compared to forecasts it will be a feature of the Finance Team outturn, which is not covered by other reserves. Anything not within the overall budget lands on General Reserves.

There is no power under which councillors may be surcharged anymore – that was removed several years ago.

**Cllr L Jeuda** - At an Audit and Governance meeting on 10 December 2015 Councillor Sam Corcoran raised concerns about the apparent management override of controls and said that at Cheshire East Council the rules can be bent, the rules can be broken. Do you regret not following up on the comments more promptly and do you think the delay affected the eventual outcome?

**Grant Thornton response** – please see the background paper we have prepared regarding our role at the time. Grant Thornton had opened its file on the matter in September 2015 and after considering the emerging work of Internal Audit, it was agreed to keep a watching brief until the ongoing internal audit investigation had been completed - that is best practice to let internal audit go first. This approach was in line with NAO formal auditor guidance and was explained to the Audit and Governance Committee. By 10 December the Internal Audit work was well underway and it would not have been appropriate for external audit to commence a formal audit at that time.

The Police investigation that commenced on 17 December meant that no external audit work was then possible until the police had concluded their interest in the matter. Events have shown that, even if external audit had commenced a full investigation on 10 December following the Audit and Governance Committee, it would not have been possible to have made any real progress by the time the police stepped in.

**Cllr S Hogben** - The report highlights the importance of speaking out and acting to stop wrongdoing. Paragraph 9.3 states that “The former Leader was not alone in the inappropriate treatment of officers.” Why are those responsible for that inappropriate treatment of officers not named in the report?

**Grant Thornton response** – the finding was drawn from interviews with former officers, many of whom made the same point that the behaviour was attributable to some Cabinet members, as commented on in the report. There was sufficient evidence to verify that, but without a much more detailed investigation it would not have been possible to identify the appropriate level of criticism to name individual Councillors. It would not have been proportionate to have widened the investigation out any further. However, we were also clear that the main instigator of inappropriate behaviour came from the former Leader and at least some of the former Cabinet members were also the victim of this treatment, which is why we have focussed on him specifically.

**Cllr S Pochin** – in the minutes of the December 2015 Audit Governance Committee, Grant Thornton told the committee that regarding Core Fit there was ‘No evidence of wrongdoing that an outside agency would have an interest in investigating’. How was this said in 2015, and 8 years later we are where we are. Can Grant Thornton provide some comment on that?

**Grant Thornton Response** - The comments came from progress that internal audit had made on its investigation at the time. Grant Thornton letter to the then Chief Executive (detailed in the supplementary paper), noted there were procedural irregularities certainly raised at that point, but internal audit had not identified any links to any inappropriate behaviour from members or influence at that time of the magnitude that would create a need for a report like this. That was a snapshot at that moment in time, there was no comment that there would be no further interest, it was agreed to keep a watching brief and to see what internal audit would come up with in the course of this work. Over the passage of time we now have evidence of interviews, emails and far more material that demonstrates conduct issues that were clearly apparent but not evidenced from internal audit work.

**Cllr S Gardiner** – having read the report, I am bemused that there is no reference to the then Director of Adult Social Care and Director of Public Health. Both of whom I am aware raised matters with the Chief Executive and others at the time that the Core Fit contract was being expanded to included parts of their service areas. I would like to know why that is not included, and secondly, I am somewhat concerned that the report seems to be very light on the information of the work undertaken of the acting Chief Executive of the time and the then Leader who both did an awful lot of work in

very controlled circumstances because of the pending police investigations to turn the council around.

**Grant Thornton Response** – as referred back on matter of fees, there comes a point where we needed to draw a line under our work. Have we got sufficient evidence to make the points that we feel are relevant in the public interest? We believed we had reached that point. It could have been easy for us to keep extending the scope time and time again as people raised matters as to who to speak to and what we should consider and look at. As said in the introduction, we did have to draw a line at some point. The first officer, we did reach out to, but they declined to be involved. The second officer, fell into the category of where we felt we had done enough work at that point to get the issues properly set out.

**Cllr S Gardiner** – would like to make sure that we are talking about the same person, as I do know that the person who the Director of Public Health and Director of Adult Social Care reported to was at interim management level and they declined. I wasn't aware the Director of Adult Care had even been approached.

**Grant Thornton Response** - No, they hadn't. We would have to check on the job designation, but it was certainly the key commissioning officer that we approached. The other two cases, we felt we had sufficient evidence to make the points around culture.

We do acknowledge the progress in the immediate Michael Jones procedure, I don't think we named Cllr Bailey formally in that, but certainly she was the person we were talking about at that point and started to lead the council's improvement journey.

**Cllr J Parry** – what involvement, if any, would you suggest that the Leader of the Council should have with the external auditor particularly in light of recommendation R3?

**Grant Thornton Response** – one challenge that exists in the audit regime is that it disconnects somewhat between auditors and members as there is a different focus, but periodical dialogue between the Leader and External Auditor is really good practice and is common practice to meet every 6 months or annually as part of the audit process. This is part of the wider work to bring the audit process closer and appropriately to councillors, not just in audit committee but more widely. The National Audit Office has introduced a new approach to value for money and the auditors annual report, which provides a commentary on the councils VFM arrangements which are very useful and all councillors should read the annual report when published as it gives a synopsis of the auditors view of arrangements in the council. In answer to the question, yes, the view is either every 6 or 12 months there should be a meeting for 2 sided discussions on matters relating to audit so both parties are aware of all issues relating to that process.

**Cllr J Clowes** – in relation to the report, on several occasions you refer to Core Fit as being of 'low value' others refer to it as 'immaterial sums' but quite rightly at 7.73 you

highlight the importance of public perception. I don't know about anybody else but £130,000 is a significant sum to my residents and to the residents of this borough, therefore, my concern is that at the Audit and Governance Committee meeting in December 2015 you made reference to an 'insignificant sum' in the context of the audit and governance and external audit work. Why is it that in this report you recognise the importance of public perception but at that Audit and Governance meeting when you already had information from internal audit, you did not?

**Grant Thornton Response** – the answer to that question relates to the opinion that we had given on the financial statements that operates to material audit standards which for Cheshire East is at least £10 million so that was the context of the phrase 'insignificant sum'. The matter of value for money audit and again the findings at that time, on 30 September, only a month after us being called, the internal audit findings to date had identified procedural irregularities of around £170,000 procurement which for a council with next expenditure of £400 million, would not have a bearing on itself without all of the other public interest elements of political overlay behind it in impacting on the VFM conclusion at the time.

**Cllr A Gregory** – paragraph 2.19 of report states, whilst some members were highly concerned, others provided support. As council taxpayer, why can those others not be mentioned in your report?

**Grant Thornton Response** – everyone that we seek to name, we would have to consult, interview, share reports with. They then might take legal advice etc., which may have extended the process. We sought to be selective and talk to the key protagonists in order to get sufficient coverage to make the points around culture and governance which is where we believe the underlying public interest lies and not for seeking to name absolutely everyone either positively or negatively in the course of the work.

**Cllr J Buckley** – The Council have got to pay for the report, can we recoup fees for those mentioned negatively in the report, or have we just got to pay the bill?

**Grant Thornton Response** - From Audit perspective, we set the cost estimate for PSAA and its for them to determine, that is as far we would take it.

**Director of Governance and Compliance Response** – we would not be looking to recover any costs from any former member of the chamber.

**Cllr M Houston** – why was nothing done about the behaviours of Cllr Jones, why was he allowed to become Council Leader in the first place? What did the Conservative Association do? Did they have checks and balances when choosing their candidates? Going back to 2013 and before, how did this come about? What are checks and balances going forward in the Conservative Association to make sure that suitable people who can be relied on for integrity in public office, are they now being selective?

**Deputy Mayor** – not a question for the Auditors, for the political party.

**Cllr A Farrall** – can the Auditors confirm whether their work and cost involvement and indeed this meeting, would it be necessary if it hadn't been for the systematic failures of the leadership during 2014 – 18?

**Grant Thornton Response** – We have a duty to consider matters such as this, clearly if the issues hadn't happened we wouldn't be sitting here now reporting to you. Our work is driven by the issues that happened in 2015.