

## **Audit and Governance Committee**

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| <b>Date of Meeting:</b>     | 9 March 2023                        |
| <b>Report Title:</b>        | Public Interest Report              |
| <b>Report of:</b>           | Lorraine O'Donnell, Chief Executive |
| <b>Report Reference No:</b> | AG/05/22-23                         |
| <b>Ward(s) Affected:</b>    | ALL                                 |

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### **1. Purpose of Report**

- 1.1. This report provides an update for Audit and Governance Committee following the meeting of Council on 1 February 2023 to consider the Public Interest Report published by Grant Thornton on 17 January 2023.
- 1.2. The public interest report provided three recommendations and a historical narrative related to procurement events in 2014/15. Council agreed the three recommendations of the report and agreed that Audit and Governance Committee will receive a further internal audit report to conclude the recommendation at 3.3(ii) in the Council report.

### **2. Executive Summary**

- 2.1. A copy of the Terms of Reference for the Internal Audit assurance work on Land Transactions which is currently under way is attached for the Committee's information at Appendix A. Completion of this work, and its consideration by the Audit and Governance Committee completes the action on the second recommendation of the Public Interest Report. A verbal update on the progress will be provided at the meeting.
- 2.2. The third recommendation of the Public Interest Report required the Council to discuss with its current external auditors whether there are any matters arising from this report that should be addressed by the current auditor's statutory external audit. Representatives from the Council's current external auditors, Mazars, will be present at the Audit and Governance Committee meeting to provide their view.

### **3. Recommendations**

- 3.1. To note the Terms of Reference for the Internal Audit assurance review, and the progress update to be provided, ahead of the final report being provided to a future meeting of the Audit and Governance Committee.
- 3.2. To note the position from Mazars in relation to Recommendation 3 of the Public Interest Report and consider any further work which the external auditors may determine will be required.

### **4. Reasons for Recommendations**

- 4.1. Grant Thornton has provided a report in the public interest on historical matters relating to Cheshire East Council. The external auditor's report makes three recommendations to Council, all of which were accepted. The recommendations of this report are key to the Council progressing actions for the implementation of the recommendations.

### **5. Other Options Considered**

- 5.1. No other options considered as this would represent a failure to implement the recommendations of the Public Interest Report as agreed by Council.

### **6. Background**

#### **Land Transactions**

- 6.1. Grant Thornton has provided a report in the public interest on historical matters relating to Cheshire East Council. This was published by Grant Thornton on 17 January 2023 and was considered by Council on 1 February. The external auditor's report made three recommendations to Council which were all accepted. Council agreed that Audit and Governance Committee will receive a further internal audit report to conclude the recommendation at 3.3(ii) in the Council report.

*The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6 of the public interest report), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report*

- 6.2. The specific matters referred to above relate to further assurance work being carried out by internal audit in relation to land transactions (acquisitions and disposals). This follows from the initial work carried out in the 2017/18 plan, which resulted in referrals to Cheshire Police being made in March 2018 and the qualification of the 2017/18 Value for Money opinion.
- 6.3. Grant Thornton set out in the Public Interest Report at paragraph 12.14, that they have not reported on the land transaction matters, as they considered the public interest to be served by using the procurement matter as an exemplar, but as set out in the recommendation, the issues need to be considered by the Council.

- 6.4.** The current review of arrangements in relation to land transactions set out in Appendix A builds on a number of previous reviews by Internal Audit. Following examination of individual sites, a consolidated findings report was produced highlighting the main control issues arising. Subsequently, this was subject to detailed follow up, which indicated that substantial progress had been made in addressing the issues identified in the initial consolidated findings.
- 6.5.** Further work was undertaken by Internal Audit to seek assurance that issues continued to be addressed; the final report for this review was completed in November 2020, with satisfactory assurance being provided.
- 6.6.** The Council's Annual Governance Statements for 2016/17, through to 2018/19 acknowledged the Land Transactions issues as "Significant Governance Issues", with updates on progress on the work being undertaken provided.
- 6.7.** In November 2021, the Crown Prosecution Service confirmed that they would take no further action on the land transaction referrals, and Cheshire Police announced that they would be taking no further action. Internal Audit had therefore included a further review of Land Transactions within the 2022/23 audit plan, provided to Committee in March 2022, with the scope of this work being finalised as the work of Grant Thornton in completing its responsibilities under the Local Audit and Accountability Act 2014 was concluding.
- 6.8.** A verbal update on the current assurance work will be provided to the Committee at the meeting. The final report will then be brought to a future meeting of the Audit and Governance Committee.

### **External Audit - Mazars**

- 6.9.** As set out in the Chief Executive's report to Council on 1 February, the Chief Financial Officer, Monitoring Officer and Head of Internal Audit discussed the third recommendation "to identify whether there are any matters arising from this report that should be addressed by the current auditors statutory external audit".
- 6.10.** At that meeting, Mazars had not, as part of their current and prior year audits, highlighted any risks of, or actual significant weakness in respect of the Council's arrangements in relation to its use of resources or value for money which should be brought to the attention of the Audit and Governance Committee.

## **7. Consultation and Engagement**

- 7.1.** The terms of reference for the current assurance work, set out at Appendix A were drafted with input from Grant Thornton. A copy of the terms of reference have been provided to Mazars for information.

## **8. Implications**

### **8.1. Legal**

**8.1.1.** The requirements for the Council to respond to the Public Interest Report are set out in Schedule 7 of the Local Audit and Accountability Act 2014.

**8.1.2.** Under the provisions of the Act, the Council must decide if the report requires the authority to take any action and if the recommendations are accepted. The recommendations and responses are set out in the body of this report and after considering the report and the responses, Council must notify the external auditor of its decisions and publish a notice containing a summary of those decisions which has been approved by Grant Thornton.

### **8.2. Finance**

**8.2.1.** There are no direct financial implications arising from the recommendations of this report; Internal Audit resource had already been allocated within the 2022/23 plan for assurance work on land transactions and, if necessary, contingency from the 2023/24 plan will be used.

**8.2.2.** There could be additional cost incurred if further work is required by the current external auditors as a result of the Public Interest Report and its recommendations, and / or review of Internal Audit's work on land transactions highlighted above.

### **8.3. Policy**

**8.3.1.** There are no direct implications arising from the recommendations of this report.

### **8.4. Equality**

**8.4.1.** There are no direct implications arising from the recommendations of this report.

### **8.5. Human Resources**

**8.5.1.** There are no direct implications arising from the recommendations of this report.

### **8.6. Risk Management**

**8.6.1.** The work carried out by Internal Audit will provide assurance on the effectiveness of arrangements to made risks identified in the terms of reference.

### **8.7. Rural Communities**

**8.7.1.** There are no direct implications arising from the recommendations of this report.

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

8.8.1. There are no direct implications arising from the recommendations of this report.

**8.9. Public Health**

8.9.1. There are no direct implications arising from the recommendations of this report.

**8.10. Climate Change**

8.10.1. There are no direct implications arising from the recommendations of this report.

**Access to Information**

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Appendices: Appendix 1 – Terms of Reference, Land Transactions

Background Papers Public Interest Report - 17 January 2023

<https://www.cheshireeast.gov.uk/pdf/council-and-democracy/council-finance-and-governance/public-interest-jan2023/cheshire-east-council-final-17-january-2023.pdf>

Council papers and minutes – 1<sup>st</sup> February 2023

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=239&MId=9701&Ver=4>