

# Public Document Pack

## CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 8th June, 2023 in the Committee Suite 1,2 & 3, Westfields,  
Middlewich Road, Sandbach CW11 1HZ

### **PRESENT**

Councillor M Beanland (Chair)

Councillors A Heler, C Hilliard, M Houston, G Marshall, P Redstone,  
J Snowball, A Kolker (substitute for S Adams) and L Braithwaite (substitute for  
K Edwards)

Mr R Jones, Independent Co-opted Member

### **OFFICERS IN ATTENDANCE**

David Brown, Director of Governance and Compliance and Monitoring Officer  
Alex Thompson, Director of Finance and Customer Services and S151 Officer  
Josie Griffiths, Head of Audit and Risk Management  
Michael Todd, Acting Internal Audit Manager  
Paul Goodwin, Head of Finance  
Jennifer Ashley, Democratic Services Officer

### **1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Sue Adams and  
Councillor Ken Edwards.

### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest received.

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

Member of the public, Ms Debbie Jamison attended the meeting and spoke in relation item 10 of the agenda. Ms Jamison challenged the reason for part of the report being considered under Part 2 as the investigations had concluded. In addition, Ms Jamison raised concerns around land transactions at another site within the borough and requested it be brought to the attention of the Audit and Governance Committee for investigation.

The Director of Governance and Compliance advised that details contained in the part 2 report, should remain part 2 due to the potential commercial impact on the sites involved with investigations. The Head of Audit and Risk confirmed she would contact Ms Jamison outside of the meeting to gather more information about her concerns.

Councillor Janet Clowes attended the meeting and spoke in relation to item 10 on the agenda. Councillor Clowes welcomed the report and thanked Officers for their work on this area, which had been ongoing for some time. In addition, it was stated that procedures and processes had matured over time which now recognise a change in culture, governance and legislation.

Councillor Janet Clowes attended the meeting and spoke in relation to item 11 on the agenda. Councillor Clowes stated that she understood the reasons for the Public Interest Report being undertaken but questioned the value for money of the report and the way in which it was conducted, specifically the length of time for the report to be produced and that it was undertaken by the same External Auditors who were appointed at the time the issues were being investigated.

The Director of Finance and Customer Service confirmed that the fee proposals would be independently assessed by the Public Sector Audit Appointments Ltd and as the Section 151 Officer, he would have the opportunity to seek clarification on how the fee has been calculated and to ensure the process has been completed proportionately. In addition it was confirmed that the External Auditors (Grant Thornton) commissioned the report as they felt it was in the public interest to be completed, it was not an action of the local authority.

#### **4 MINUTES OF PREVIOUS MEETING**

RESOLVED:

That the minutes of the meeting held on 9 March 2023 be approved as a correct record.

#### **5 AUDIT & GOVERNANCE ACTION LOG**

The committee reviewed the progress of the action log.

##### **1. Monitoring Officer Annual Report – Details of Complaints**

Information detailing the areas of complaints had been circulated to committee members on 27 February 2023.

##### **2. Monitoring Officer Annual Report – Number of Cancelled Meetings**

Information detailing the reasons for cancelled meetings was detailed in the minutes of the 9 March 2023 Audit and Governance Committee meeting.

##### **3. Draft Annual Governance Statement**

A detailed response had been circulated to committee members on 21 February 2023.

4. Work Programme – S106 Funding

It was confirmed that this report is an item on the work programme, scheduled to be presented to the Audit and Governance Committee on 27 July 2023.

5. Work Programme – Disability Monitoring

The Head of Audit and Risk would invite Independent Member, Mr Jones to be part of discussions during the setting of the next Internal Audit Plan.

6. Work Programme – Customer Service Review

As part of the induction programme, all members will be invited to a briefing session on the new Customer Service Strategy. Following this, if any gaps are identified that would fall under the remit of the Audit and Governance Committee terms of reference, further discussions may be undertaken with committee members. The briefing session is due to take place in July.

7. Internal Audit Plan 2022/23 – Progress Update

A draft letter would be shared with the current Chairman to decide if this action was still required and appropriate to undertake.

8. Work Programme – Audio Recordings

Information detailing the use of audio recording equipment had been circulated to committee members on 27 February 2023.

## **6 EXTERNAL AUDIT UPDATE**

The committee received a verbal update from External Auditors, Mazars, that detailed the following;

- There are currently 2 audits open, 2021/22 and 2022/23. Due to national issues on infrastructure assets, which will impact on final statements, sign off on the 2021/22 audit is due to take place in July.
- For the 2022/23 draft statement, there are technical details regarding pension fund valuations that need to be resolved which will result in material changes. CIPFA guidance has been issued and will be followed. Further updates on this will be provided at the next meeting.

RESOLVED;

That the update from External Auditors be noted.

## **7 CIPFA REVIEW OF THE AUDIT AND GOVERNANCE COMMITTEE**

The committee received a report from the Director of Governance and Compliance and the Director of Finance and Customer Services that provided details of the CIPFA review of the Audit and Governance Committee and actions agreed at a workshop of officers and members of the committee in April 2023. The review was endorsed by the Committee in July 2022 and is part of the Council's "Open" aim in the Corporate Plan 2021-2025; ensuring there is transparency in all aspects of council decision making.

CIPFA's Consultant, Elizabeth Humphrey, attended the meeting and provided a summary of the review findings and action plan. General findings included a sense of curiosity and challenge from committee members with lots of positive aspects that members could build on. However, relationships within the committee and between members and officers had suffered therefore focus needed to be redirected back to the terms of reference for the committee.

The aim of the review was to ensure the terms of reference were appropriate and future work included actions rather than reviews. It was highlighted to the committee that items for their consideration should require their input, with evidence based assurance that the organisation is working as it should, with no duplication to ensure the resources of service areas are working most effectively.

Members were provided with the opportunity to ask questions of the review findings and discussed the proposed action plan.

RESOLVED;

That the committee;

1. Agreed the planned actions, including responsibilities and timescales, set out in the response to the report's action plan, as detailed in Appendix 2 of the report;
2. Agreed to review progress against the implementation of the recommendations, with an update on these being included as part of the Audit and Governance Committee's Annual Report to Council;
3. Agreed to invite CIPFA to return to review the Committee and progress made.

## **8 DRAFT PRE AUDITED STATEMENT OF ACCOUNTS 2022/2023 AND OUTTURN UPDATE 2022/23**

The committee received a report from the Director of Finance and Customer Services that referred to the Draft Pre-audited Statement of Accounts 2022/23 and Outturn Update 2022/23.

The report set out the approval process for the Statement of Accounts, and provided summarised details of the pre audited overview of Cheshire East Council Outturn for the financial year 2022/23. It was confirmed that the pre audited Statement of Accounts are now published on the council's website, with the final audited Statement of Accounts due to be presented to the committee on 28 September 2023 in time for publication by the deadline of 30 September 2023.

RESOLVED;

That the committee;

1. Noted the summarised position of the accounts for year ended 31st March 2023 based on the presentation provided at the meeting and as set out in Appendix 1 of the report.
2. Noted the dates in relation to the approval process for the Statement of Accounts.
3. Approved the setting up of an informal session with the Council's Officers to allow Members of the committee the opportunity to discuss in more detail the Statement of Accounts and to report such discussions back to the Committee.
4. Noted the overall financial performance of the Council in the 2022/23 financial year, as contained within the report, as follows:
  - (a) A Net Revenue Overspend of £6.0m against a revised budget of £318.7m (1.9% variance) funded by the drawdown of £5.2m from the MTFS Earmarked Reserve and a reduction in the planned contribution of General Reserves by £0.8m
  - (b) General Reserves closing balance of £14.1m
  - (c) Capital Spending of £116.4m against an approved programme of £125.2m (7.0%variance)

## **9 DRAFT PRE AUDITED FINANCIAL STATEMENTS - WHOLLY OWNED COMPANIES 2022/23 AND OUT TURN UPDATE 2022/23**

The committee received a report from the Director of Finance and Customer Services that referred to the Draft Pre-audited Financial Statements for Wholly Owned Companies 2022/23 and Outturn Update 2022/23.

The report set out the timelines and process for the pre audited WOC's Financial Statements for 2022/23. It was confirmed the Council's Wholly Owned Companies (WOC's) will publish, on their websites, their pre audit Summary Financial Statements for year ended 31 March 2023.

RESOLVED;

That the committee;

1. Noted the summarised position of the WOC Financial Statements for year ended 31st March 2023 based on the presentation provided at this meeting and included in this report at Appendix 1;
2. Noted the dates in relation to the approval process for the Financial Statements;
3. Agreed to the setting up of informal session with the Council's Officers to allow Members of the committee the opportunity to discuss in more detail the Financial Statements;
4. Noted the overall financial performance of the WOC's in the 2022/23 financial year, as contained within the Appendix 1, as follows:
  - (a) ASDV Reserves increased by £0.462m less £0.291m dividend from TSS to CEC, leaving retained reserves at £1.949m.
  - (b) A further final dividend of £0.106m is due to CEC from TSS in 2023/24.
  - (c) Wholly Owned Companies Net Core Contract Spending was £37.94m

## **10 LAND TRANSACTIONS - INTERNAL AUDIT REVIEW**

The committee received a report from the Head of Audit and Risk that detailed the findings and actions from the review of Land Transactions undertaken by Internal Audit.

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 would receive a further internal audit report to conclude the recommendation at 3.3(ii) in the Council report.

The internal audit review was complete, and a "Good Assurance" opinion has been provided. A copy of the internal audit report was provided to committee members, along with a Part 2 summary of site specific reviews originally undertaken by internal audit, and details of the current uses of these sites.

RESOLVED;

That the committee;

1. Received the findings of the internal audit review on Land Transactions as detailed in Appendix 1 of the report and noted the “Good Assurance” opinion;
2. Determined that, based on the findings of the review, no further actions are required.

#### **11 PUBLIC INTEREST REPORT UPDATE - EXTERNAL AUDITOR FEE VARIATION PROPOSAL**

The committee received a report from the Director of Finance and Customer Service that provided details of the proposed fee variation from Grant Thornton UK LLP in respect of their work to produce a Public Interest Report and the next steps in the process that are required before a final invoice can be issued.

The committee were informed that Grant Thornton UK LLP had proposed a fee variation of £319,370 for work on the Cheshire East Council Report in the Public Interest on the impact of the Council’s culture and governance arrangements during 2014 – 2018, dated 17 January 2023. Full Council debated the report at their meeting of 1 February 2023.

The process for fee variations in these circumstances is set by Public Sector Audit Appointments Ltd (PSAA) (guidance dated April 2021, updated January 2023). To date the proposal has been issued and acknowledged by the Council.

The committee were advised that the next steps in the process required Grant Thornton UK LLP to submit the proposal to PSAA for review. The review will include analysis of the detail of the proposal and may require further engagement with the Chief Finance Officer. Following the review PSAA will notify the audited body (Cheshire East Council) of their determinations.

RESOLVED;

That the Audit and Governance Committee

1. Noted the proposed audit fee variation of £319,370 from Grant Thornton UK LLP for work on the Cheshire East Council Report in the Public Interest on the impact of the Council’s culture and governance arrangements during 2014 – 2018;
2. Noted the process to review fee variations set by Public Sector Audit Appointments Ltd (Appendix 1).

## **12 WORK PROGRAMME**

The committee considered the work programme for 2023/2024.

The following items were requested by the committee to be added;

1. Audit and Governance Committee Terms of Reference Review

In addition, the committee requested a training / briefing session to discuss;

- Why / how a council finds itself in financial difficulties
- What can the Audit and Governance Committee do to mitigate and prevent financial difficulties
- How is debt monitored / structured in local government and Cheshire East Council.

## **13 EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)(4) of the Local Government Act 1972 as amended on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972 and public interest would not be served in publishing the information.

## **14 LAND TRANSACTIONS INTERNAL AUDIT REVIEW**

RESOLVED;

That the Land Transactions Internal Audit Review Report be noted.

The meeting commenced at 2.00 pm and concluded at 4.30 pm

Councillor M Beanland (Chair)