

OPEN FOR PUBLICATION

Audit and Governance Committee

8 June 2023

External Auditor Fee Variation Proposal (Grant Thornton)

Report of: Alex Thompson, Director of Finance and Customer Services

Report Reference No: AG/16/23-24

Ward(s) Affected: None

Purpose of Report

- 1 The Committee are being asked to note the proposed fee variation from Grant Thornton UK LLP in respect of their work to produce a Public Interest Report. The Committee are also asked to note the next steps in the process that are required before a final invoice can be issued.

Executive Summary

- 2 Grant Thornton UK LLP have 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.
- 3 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. This report informs 'those charged with governance' (being the Audit and Governance Committee) of the proposal.
- 4 The next steps in the process require 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.

RECOMMENDATIONS

The Audit and Governance committee is recommended to:

1. Note 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. Note the process to review fee variations set by Public Sector Audit Appointments Ltd (Appendix 1)

Background

- 5 Grant Thornton UK LLP was the appointed external auditor to Cheshire East Council (the "Council") for the financial years 2012/13 through to 2017/18. The Cheshire East Council Report in the Public Interest on the impact of the Council's culture and governance arrangements during 2014 – 2018 represented the conclusion of its work on the audits for those years. The Public Interest Report was published under section 24 and Schedule 7 of the latter Act.
- 6 The issues reported concerned the culture at the Council, the role and conduct of Michael Jones, the former Leader, and a particular set of events around a procurement involving a local company. It used the procurement issues as reflecting broader cultural and governance issues prevalent at the Council at that time. The audit inquiries were delayed by an investigation by Cheshire Police starting in late 2015. At that point, all internal and external audit work relating to this issue had to be suspended. Four years later, in mid-2020 the police announced it was not intending to bring any prosecutions.
- 7 After the announcement by the Police in 2020 Grant Thornton resumed its work to complete its formal audit duties for reporting on the years of account. It is this work which has led to the issuing of this Public Interest Report. The associated costs of this work has led to the proposed fee variation.
- 8 PSAA Ltd is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme such as Cheshire East Council. PSAA have also set

out a Fee Variation Process that will now be followed. This will lead to a PSAA officer making a determination on the proposed fee.

- 9 Appendix 1 provides the full process and is extracted from the PSAA website. It is attached to this report to provide full transparency of the next steps. The next immediate step requires Grant Thornton to submit their proposal to PSAA for review. Timescales are not clear at this stage, but any relevant communication will be brought to the attention of the Committee as necessary.

Consultation and Engagement

- 10 The process to determine the final value of the fee variation is set by PSAA Ltd. During the process to review the proposed fee variation PSAA may engage the Council, usually via the s.151 Officer (the Director of Finance and Customer Services). There is not further scope for consultation in respect of the recommendations of this report.

Reasons for Recommendations

- 11 The Audit Committee fulfils the role of the those charged with governance (TCWG) for Cheshire East Council. Part of the process for reviewing audit fee variations requires those charged with governance to be notified of the proposed fee variation. This report fulfils that requirement but can only ask the Committee to note the proposal at this stage.

Other Options Considered

- 12 No other options have been considered. The process outlined within this report has been set by Public Sector Audit Appointments Ltd.

Implications and Comments

Monitoring Officer/Legal

- 13 The recommendations do not present any legal implications.

Section 151 Officer/Finance

- 14 Costs of the fee variation are payable by the Council. The 2022/23 accounts have been completed with the inclusion of an accrual for the proposed fee of £319,370. This reflects that the activity related to these costs was completed in 2022/23, even though the value of the proposal was not notified to the Council until May 2023.
- 15 The Corporate Directorate Earmarked Reserve has been reduced to reflect the accrual. If the review process leads to any variation of the proposal this will be reflected in the balance of this reserve in the first

instance. This approach therefore means there is no immediate impact on the 2023/24 budget.

Policy

16 The recommendations relate to a proposed fee variation and do not present any policy implications.

Equality, Diversity and Inclusion

17 No impact

Human Resources

18 No impact.

Risk Management

19 No Impact

Rural Communities

20 No impact

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

21 No impact

Public Health

22 No impact.

Climate Change

23 No impact.

Access to Information	
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Appendices:	Appendix 1: Fee-variation-process-note-updated-January-2023 Link: Fee variation process – PSAA

Background Papers:	None
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