

## Attendance

### Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)  
Cllr Jonathan Yardley (Vice-Chair)  
Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Roger Lawrence  
Cllr Barbara McGarrity QN  
Cllr Lynne Moran

### Employees

Emma Bland	Finance Business Partner
Ian Cotterill	Audit Business Partner
Dereck Francis	Democratic Services Officer
Claire Nye	Director of Finance
Alison Shannon	Chief Accountant

**External Auditors – Grant Thornton**  
Mark Stocks

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1 Apologies for absence**  
Apologies for absence were submitted on behalf of Councillor Craig Collingswood and Mike Ager and John Humphries (Independent Members).
- 2 Declaration of interests**  
No declarations of interest were made
- 3 Audited Statement of Accounts 2018-2019**  
Mark Stocks from the Council's external auditors Grant Thornton presented the update report on their audit of the Council's Statement of Accounts for 2018- 2019. He reported on extra items/ unadjusted errors that had been identified since the last meeting on 22 July 2019. The anticipated 'unqualified opinion' on the accounts that he reported on 22 July would be unmodified. Mark Stocks also informed the Committee that their risk based review of the Council's value for money arrangements with regard to its Medium Term Financial Resilience and Strategic Assets was now complete. There were no issues to report on this matter. Their audit work in relation to the Civic Halls refurbishment was also complete and due to

the findings, he proposed to issue an 'exempt for qualification' opinion. He took the Committee through the details of the Value for Money work and the conclusions on their Civic Halls refurbishment audit work.

The Chair said that it was important to note that the Civic Halls refurbishment programme had changed substantially from the original project and that the current scheme was a complete refurbishment. That went some way to explain why the costs had increased.

Councillor Jonathan Yardley queried the increased costs for the removal of asbestos, the reduction to the budget for project management of the scheme, when the decision was made to change the scope of the scheme, and why the contract for the refurbishment work had not been stopped instead of rolling it on. The external auditor reported that he had probed the Council on the issue of asbestos. When the original project commenced a preliminary budget had been set. As the Council got further into the scheme and surveys were undertaken, it became clear that the budget had to be increased and new specialists brought in. A decision was then made to take out all of the asbestos from the Civic Halls buildings. The end costs were therefore always going to be at the amount now identified. Regarding the change of the project into the major scheme it is now, the decision was made in December 2017. The Council had reflected on legislation and advice from its advisors. In hindsight maintaining more project management might have helped but he could not fault the Council for taking advice.

Ian Cotterill, Audit Business Partner informed the Committee that from the outset of the project a strategic construction partner and a project manager were in place to oversee the project.

Councillor Roger Lawrence agreed with the external auditors finding that the Civic Halls project was now significantly different to the original scheme. He said that with hindsight there were errors that the Council would need to learn from. The original scheme was a smaller refurbishment project. Until you get into the detail of the scheme the weaknesses are not known. In his view the Council had been let down on a number of occasions. In October 2017 it was clear that there was a significant problem and there were a number of decisions to be made. The options were considered and in the end, it was decided to undertake all the refurbishment work in one go. It was the right decision and that approach should have been taken from day one. Keeping the building open for a few months in the year was in hindsight a mistake. However, a plus had been the emergence of Aldersley Leisure Village as an entertainments venue. The external auditor's report on the project was a helpful endorsement of the Council's Internal Audit Lessons Learned report presented to Committee in July 2018. He hoped that there would be changes in practices around management of significant projects and he noted that this was already occurring, with strong project management arrangements in place for the i9 and i10 developments.

Councillor Lynne Moran asked for more information on the non-compliance with the Council's Contract Procedure Rules regarding the engagement of externally provided project management services. The Audit Business Partner reported that a project manager was appointed. A subsequent health check on the project management identified that they had not been procured in accordance with the Council's Procurement rules. This issue had now been addressed.

Councillor Philip Bateman MBE said that the auditors report was hard hitting, forensic and fair. It identified the weaknesses and made bold comments to the Council. The work was all about making sure that the Council does not find itself in that position again. He suggested that the Council look at all the areas of weakness identified by the auditor and that the Council should pursue those companies/contractors who had failed the Council. Claire Nye, Director of Finance agreed to follow up on the points. She also reported that the issues identified in the external auditors report were flagged up in the Lessons Learned report and Action Plan that the Committee had previously considered. Progress on the action plan had also been reviewed by the Committee and the other issues identified by the external auditor would be followed up.

Councillor Jonathan Yardley commented that strong programme management was required at the outset of any major project. He referred to the comment in the external auditors report about the cross party meetings. And said in his view the meetings were not cross party. He also asked about the due diligence work the Council had undertaken on Shaylors; the findings from the analysis of their Statement of Accounts; and the external auditors views on the governance arrangements of a Cabinet Member chairing the member reference group overseeing a project the Cabinet Member had leading responsibility for. In response to the latter point, Mark Stocks reported that it was not inappropriate governance. The Member Reference Group was as strong as a Committee. Governance was about having the right people around the table to respond and who would provide balance in terms of people who could challenge.

Responding to the question on the due diligence work, the Director of Finance reported that information on the due diligence work undertaken was given the external auditor and his team. It included credit checks, a letter from Shaylors' solicitor and a letter from Shaylors, aswell as market intelligence. All the information suggested there were no flags for concern. The Company's Statement of Accounts had also been signed off by their external auditors saying that the company was solvent. Mark Stocks confirmed that he had seen all the documentation. The Company's Financial Statement had been signed of in March 2019 and it was reasonable to expect that the external auditors opinion on the Company would cover a calendar year. That information combined with the other due diligence work should have been sufficient. It was not unreasonable what the Council did and he did not know what else he would have suggested.

Councillor Roger Lawrence requested that a note be circulated to the Committee about the legal advice sought prior to extending the contract for the Civic Halls refurbishment with Shaylors, and to confirm that following the extension of the contract the work never commenced and no payments were made under the extended contract. The Director of Finance confirmed that work on the second phase of construction had not commenced and no payments had been made for that phase of the works. She undertook to confirm the position on the legal issue.

The Chair reported that he would like to see the Council obtain independent external references on contractors other than the referees offered by contractors.

Councillor Jonathan Yardley said that it was his understanding that the completion date for the Civic Halls refurbishment programme was being preserved. With no work currently taking place on the buildings he queried how this would be possible. He asked that this issue be checked with the programme schedule. The Director of Finance undertook to follow up on the question.

Resolved:

1. That the formal publication of the 2018-2019 Statement of Accounts, as required by the Accounts and Audit Regulations 2015, which require publication by 31 July 2019 be approved.
2. That the draft Management Representation letter which would be signed by the Director of Finance on behalf of the Council be approved.
3. That authority be delegated to the Chair of the Audit Committee to agree subsequent changes to the Statement of Accounts and Management Representation letter in consultation with the Director of Finance, should there be any audit adjustments.
4. That the 2018-2019 report to those charged with governance from the Council's External Auditors, Grant Thornton be noted.