

Confirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room,
East Suffolk House, on **Monday, 11 March 2024 at 6:30 PM**

Members of the Committee present:

Councillor Edward Back, Councillor Tess Gandy, Councillor Owen Grey, Councillor Geoff Lynch, Councillor Stephen Molyneux, Councillor Lee Reeves, Councillor Anthony Specca, Councillor Ed Thompson

Other Members present:

Councillor Paul Ashton, Councillor Peter Byatt, Councillor Vince Langdon-Morris

Officers present: Kerry Blair (Head of Operations), Kate Blakemore (Strategic Director), Laura Fuller (Audit Manager), David Johnson (Asset and Investment Consultant), Marie McKissock (Finance Manager Compliance), Sheila Mills (Corporate Fraud Manager), Lorraine Rogers (Chief Finance Officer), Julian Sturman (Specialist Accountant – Capital and Treasury Management), Ben Woolnough (Planning Development Manager (Development Management, Major Sites and Infrastructure)), Frances Wykes (Principal Auditor)

Others present: Debbie Hanson (Ernst & Young), David Riglar (Ernst & Young)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor King, who was substituted by Councillor Byatt.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the minutes of the meetings held on the 11 December and 8 January be agreed as a correct record and signed by the Chair.

4 External Audit Update

The Committee received report ES/1878 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money.

Councillor Langdon-Morris introduced the report, the purpose of which was to provide the Committee with an update on External Audit work, including information on the conclusion of the 2020/21 audit, an update on the proposed scale fee variation for 2020/21, an update on the Department for Levelling Up, Housing and Communities and National Audit Office's proposal for dealing with outstanding audits and plans for 2021/22 and 2022/23, an update on Value For Money work for 2021/22 and 2022/23, and an introduction to the Audit Plan for 2023/24.

David Riglar, Partner at Ernst and Young, updated the Committee on the conclusion of the 2020/21 Audit. The majority of this had been signed off in December, as part of this process Ernst and Young would issue an Auditors Annual Report and finalise the fee for this audit. Both of these documents were included in the agenda.

The Chair invited questions.

Councillor Byatt referred to the section of the Auditors Annual Report which summarised a significant weakness in governance arrangements relating to social housing, and asked whether the Council could now be assured that this would not happen again. Officers stated that the Committee had received several updates on this issue and that Ernst and Young considered that this had been resolved.

Councillor Lynch referred to Appendix A of the Auditors Annual Report which stated there was a weakness in relation to how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. Councillor Lynch stated that the Internal Audit team had always given a good report relating to fraud control, and this gap between the reports received from Internal Audit and Ernst and Young was concerning. Councillor Lynch asked what fraud had been found that the internal team had not found. The Chair stated that he agreed with this concern, especially in light of delays to the external audit which could mean that any gaps were not highlighted to the Committee for a number of years.

Mr Riglar stated that the Department for Levelling Up, Housing and Communities and National Audit Office had recently consulted on a proposal to reset the audit system in light of these delays which were affecting the whole sector. There was a need to get auditors back to auditing the current years data as auditing two or more years behind was not providing necessary assurance. The proposal from the the Department for Levelling Up, Housing and Communities was that backstop dates would be introduced for outstanding audits and an opinion would be issued for outstanding audits on this date. Ernst and Young had started work on the current years data and refocussed on audits in the remaining years, focusing on nearly complete audits, outstanding Value for Money work and completing pension fund work. Assuming the proposal from the Department for Levelling Up, Housing and Communities was passed then the Councils 2021/22 and 2022/23 Audits would be disclaimed, although there would be a full suite of Value for Money work. Mr Riglar stated that this would still include basic checks, but the detailed testing would be skipped. This would apply to all Councils.

Councillor Specca stated that a conversation had taken place at the last meeting about the Council's risk register and whether risks were being adequately captured. Regarding comments in Appendix A on monitoring and assessing risk, Councillor Specca asked what actions had been taken in this area, and whether there were any learnings from this about how the risk register could be improved. Mr Riglar stated that the weaknesses in detecting fraud referred to the issue in the housing rent non compliance which was tied to this area. It was not that case that there were weaknesses in the Councils counter fraud arrangements.

Councillor Gandy referred to an increase in fees following Covid-19, and it was concerning that the Council was still in a position where audits had still not been carried out. The Chair stated that costs had gone up, but he would like to understand why there had been such a significant increase on this audit, and what this would mean for following audits when recent inflation would become an issue. The Chair asked if there was any indication of what the cost of upcoming audits would be. Mr Riglar stated that there were a number of things that could arise which would result in a change in the fees. Any additional fees that were submitted were challenged and sense checked to make sure any changes were justifiable.

Councillor Byatt referred to the Audit Planning Report for the year ending March 2024, which referred to a risk associated with Property, Plant and Equipment and Investment Property Valuation and a need for enhanced procedures in this area. Councillor Byatt asked if this was a change in risk compared to previous years.

The Chair expressed frustration at the delay in audits which would inevitably end up requiring more work and costing the Council more money. The Chair asked for clarification on the timeline for audits going forward. Mr Riglar stated that the 2021/22 Value for Money was nearing completion and a report would be received at the Committee's next meeting, there had been some delay here as the issue on rent non compliance had still applied. The 2023/24 audit plan was presented in the documents before the Committee. Mr Riglar summarised the steps in this plan, and noted that this could change depending on implementation of the proposal for dealing with delays to external audits. The risk areas where additional work would be done were set out, several of these were the same as in previous years as they were considered high risk areas, there were three additional areas relating to Property, Plant and Equipment and Investment Property Valuation, the creation of East Suffolk Services Limited, and finance data migration. The aim was to complete 2023/24 audits by the end of November. The fees for this were still to be confirmed. Mr Riglar also highlighted Appendix C of the 2023/24 Audit Plan which detailed the introduction of IFRS 16 standard, and ISA 315 both of which would impact the accounts.

Councillor Lynch referred to the proposed timeline for the 2023/24 audit and asked if this was on schedule. Mr Riglar confirmed that it was and that some work had been bought forward.

On the proposal of Councillor Lynch, seconded by Councillor Thompson it was

RESOLVED

That the Audit & Governance Committee:-

1. Note the proposed scale fee for the 2020/21 audit.
2. Note Ernst & Young's plans for the audit of 2021/22 and 2022/23 in relation to the consultations from the Department for Levelling Up, Housing and Communities and National Audit Office's proposals in dealing with outstanding audits.
3. Note the progress on Value for Money work for 2021/22 and 2022/23.
4. Note the Audit Plan for the 2023/24 audit of accounts.

5 Corporate Fraud Business Plan 2024/25

The Committee received report ES/1879 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money. Councillor Langdon Morris introduced the report, the purpose of which was to allow the Committee to monitor counter-fraud strategy, activity and resources in line with their terms of reference.

The Corporate Fraud Manager confirmed that the plan was reactive and would change depending on any fraud trends that emerged, however every department in the Council would be assessed for fraud risk. A further report on this would be received by the Committee at their next meeting. An additional investigator was also being employed to assist with the work in this area.

The Chair invited questions.

The Corporate Fraud Manager confirmed that areas highlighted by Ernst and Young would be assessed.

Councillor Byatt asked if there was any indication of the value of the fraud prevented in the last year. The Corporate Fraud Manager confirmed this information was not available at present, but would be included in the next report the Committee received on this subject.

On the proposal of Councillor Gandy, seconded by Councillor Lynch it was

RESOLVED

That the Audit and Governance Committee endorses the East Suffolk Council Corporate Fraud Business Plan to be undertaken at the Council during 2024/25.

6 Annual Data Protection Plan 2024/2025

The Committee received report ES/1880 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money, Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money and Councillor Paul Ashton, Cabinet Member with responsibility for Corporate Services (Digital, Customer Services, HR and Assets).

Councillor Ashton introduced the report, the purpose of which was to provide the Committee with an overview of the planned work to be undertaken from April 2024 to

March 2025 by Data Protection services. Councillor Ashton stated that there would be a specific review of data protection concerning CCTV in this plan. Beyond this the plan was broadly the same as the last year. There had been no increased in breaches or subject access requests in the last year which would require a substantial change in the plan.

The Audit Manager added that the team was small but they worked well. The plan was a mixture of proactive and reactive work, and the team considered lessons learnt from the past in order to provide specific training. The Corporate Leadership Team had approved the creation of a role for a Data Protection Apprentice and it was hoped that they could grow this area. Various teams in the Council had requested training in data protection, showing they valued the work of the team.

Councillor Lynch stated that new councillors and staff received training, and asked how existing staff were refreshed on this. The Audit Manager stated that all staff were required to online training once a year. The team also provided bespoke training for any areas where there was a high level of requests or risks. Councillor Ashton confirmed that this requirement would be added into the report.

Councillor Gandy asked how Councillors were covered in terms of data protection in their constituency work when they worked with residents and third parties, to ensure they were not doing anything wrong. The Audit Manager confirmed that councillors were classed as data controllers and could access support from the Council's Data Protection Officer. Councillor Ashton stated that this was briefly covered for councillors in the induction sessions, but could be improved especially in relation to party political work. It was important to recognise the role councillors had in sharing information and providing help.

Councillor Byatt stated that he would raise the issue of ensuring councillors kept up to date with data protection training with the member development group, as this was very dangerous if done wrong.

On the proposal of Councillor Gandy, seconded by Councillor Lynch it was

RESOLVED

That Audit and Governance Committee:-

1. Reviews and considers and comments on the Annual Data Protection Plan 2024/25.

7 Treasury Management 2023/24 Quarter 3 Report

The Committee received report ES/1881 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money.

Councillor Langdon-Morris introduced the report, the purpose of which was to review performance of the treasury management function for quarter 3 of 2023/24.

The Chair asked if the Council had any investment with any Councils that were at risk of issuing a Section 114 notice. The Specialist Accountant stated that the Council and its external advisors did keep a close eye on this but there were no risks at present.

Councillor Lynch asked what the situation would be for the Council's short term loans at the end of the year. The Specialist Accountant stated that the Council should achieve what had been forecast. The Council's external advisors indicated that interest rates would not be dropping off sharply and would stay around the five percent rate. Following a question from Councillor Byatt on whether money would be reinvested, officers confirmed that investments were made as and when the need arose, at the moment investments had been kept on a six month duration as this offered the best return.

Councillor Gandy referred to the strategic plan, in particular the sustainable housing priority, and asked why this was included when minimal investment in housing was shown. The Chief Finance Officer stated that the majority of housing funding came from the Housing Revenue Account rather than the general fund.

Councillor Specca stated that the Council had approximately £61million of short term investments which were earning interest, and £65million of loans which we were paying interest on. Councillor Specca asked if these were reasonably balanced to ensure they were not costing the Council money, and whether the Committee could see what this spread had been over time to provide reassurance that this was fairly balanced.

The Specialist Accountant stated that the majority of the loans were within the Housing Revenue Account and the Council had been required to take these loans out. There would be a charge to pay these off early, but this option had been discussed with the Council's external advisors. For this financial year the Council had earned more than it had paid, and additional information on this could be provided. The Chief Finance Officer added that the repayment of the debt had been planned out through the revenue account, the Council had not entered into any additional loans for cash flow management.

The Chair asked if there could be a report at the Committee's next meeting on loans and investments and growth over time.

On the proposal of Councillor Specca, seconded by Councillor Molyneux it was

RESOLVED

That the Audit & Governance Committee:-

1. Approve the quarter 3 report on the Council's Treasury Management activity for 2023/24.
2. Approve the Annual Minimum Revenue Provision Statement 2024/25 in Appendix A.

8 Internal Audit Strategy, Plan and Charter 2024/25

The Committee received report ES/1882 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money. Councillor

Langdon Morris introduced the report, the purpose of which was to provide the Committee with the proposed annual Internal Audit Strategy, Plan and Charter for the 2024/25 financial year.

The Audit Manager highlighted the essential work that had to be done which included grant sign off. The plan would be flexible depending on the risks that were identified throughout the year. There were three vacancies in the team, and the Audit Manager was hopeful that these would be filled. Even with these vacancies enough work could be done to issue an audit opinion.

Councillor Specca referred to page 11 of the Plan and Charter which referred to some instances where risks have emerged that were previously believed to have been mitigated. It was noted that the internal audit team would undertake its own analysis in addition to the risk register, and Councillor Specca asked what the gap was between the risk register and the risks identified by Internal Audit as this should be as small as possible. The Audit Manager stated that every Internal Audit report contained an assessment of the risk and was reported to the Head of Service and a decision made on whether this should be included in the risk register.

The Chair asked what would have to happen for the team to confirm that there was robust risk management in place at the Council. The Audit Manager stated that an audit would have to take place to provide this assurance.

Councillor Lynch asked that if any areas where internal audit had issues accessing information or carrying out their work that this be reported to the Committee.

Councillor Byatt asked if the audit of Water Quality and Internal Drainage Boards could be made more a priority in the plan, along with the Lowestoft Tidal Barrier due to the issues in these areas. The Audit Manager stated that the plan did try to be proactive, and the areas assessed would change depending on issues that arose. The team were trying to take a more proactive than reactive stance as risks were changing quickly.

The Chair asked that additional explanation on how we can go about making the Council's risk management more robust would be welcome.

On the proposal of Councillor Gandy, seconded by Councillor Specca it was

RESOLVED

That the Audit and Governance Committee:-

1. Reviews and approves the Internal Audit Strategy and Plan 2024/25 (Appendix A of this report)
2. Reviews and approves the updated Internal Audit Charter (Appendix B of this report)

9 Internal Audit Reports Recently Issued

The Committee received report ES/1883 of Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money and Councillor Tim Wilson, Assistant Cabinet Member for Resources and Value for Money.

The Audit Manager stated that there was one report issued concerning Disabled Facilities Grant (Certification). This related to a certification that was carried out annually. The overall opinion was effective, there was on instance of partial compliance due to a delay in receipt of money from Suffolk County Council.

On the proposal of Councillor Back, seconded by Councillor Lynch it was

RESOLVED

That the Audit and Governance Committee notes the contents of the report and the internal audit reports provided as appendices:

- Disabled Facilities Grant (Certification) 2023-24

10 Work Programme 2024-25

The Committee noted the Work Programme for 2024-2025.

11 Exempt/Confidential Items

On the proposal of Councillor Gandy, seconded by Councillor Lynch it was

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

12 Exempt Minutes

RESOLVED

That the exempt minutes of the meetings held on the 11 December and 8 January be agreed as a correct record and signed by the Chair.

13 Internal Audit: Status of Actions

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

14 Anti-Money Laundering Policy 2024/25

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at TBC

.....
Chair