

Unconfirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, on **Monday, 29 July 2019 at 6:30 pm**

Members of the Committee present:

Councillor Edward Back, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Tess Gandy, Councillor Geoff Lynch, Councillor Chris Mapey, Councillor Ed Thompson

Other Members present:

Councillor Maurice Cook

Officers present:

Laura Fuller (Audit Manager), Matt Makin (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Sheila Mills-James (Corporate Fraud Manager), Hilary Slater (Head of Legal and Democratic Services and Monitoring Officer), Simon Taylor (Chief Finance Officer and Section 151 Officer)

Others present:

Tony Poynton (Ernst & Young LLP)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Cloke and Councillor Smith-Lyte. There were no substitutions.

2 Declarations of Interest

No declarations of interest were made.

3a Minutes of the Waveney District Council Audit and Governance Committee meeting held on 7 March 2019

On the proposition of Councillor Back, seconded by Councillor Gandy it was unanimously

RESOLVED

That the Minutes of the Waveney District Council Audit and Governance Committee meeting held on 7 March 2019 be agreed as a correct record and signed by the Chairman.

3b Minutes of the Suffolk Coastal District Council Audit and Governance Committee meeting held on 12 March 2019

On the proposition of Councillor Cooper, seconded by Councillor Thompson it was unanimously

RESOLVED

That the Minutes of the Suffolk Coastal District Council Audit and Governance Committee meeting held on 12 March 2019 be agreed as a correct record and signed by the Chairman.

4 Standards Matters, Declarations of Gifts/Hospitality Received by Members and Officers and Review of Complaints

The Committee received report **ES/0087** of the Leader of the Council and Cabinet Member with responsibility for Resources. The report updated the Committee on declarations of gifts/hospitality received by Members and Officers and included a review and update on Register of Interests for Town and Parish Councillors.

The Monitoring Officer presented the report, referring to the Localism Act 2011 (The Act) and the role of the Committee in maintaining standards. She noted that the Council was the principal authority, under the Act, in respect of any complaint alleging a breach of the Code of Conduct by District, Town, or Parish Councillors. Since 1 April 2019, when East Suffolk Council had come into being, one such complaint had been received, and when investigated the Monitoring Officer had not been able to consider it as such, as it was related to the conduct of a parish council as a whole in terms of its decision making, rather than the conduct of an individual Member.

The Committee was advised that the Monitoring Officer had referred another complaint to the Police as, following correspondence with the parish council in question, she had been of the view that a Member may have taken part in a meeting whilst having a Disclosable Pecuniary Interest (DPI), which was a criminal offence under the Act. The Monitoring Officer said that this was the first instance where she had been required to make such a report since the Act came into force in 2012 and noted that since the report had been written, she had been required to refer a second matter to the Police. Details of both complaints had not been provided in the report as in both cases, there were ongoing Police enquiries.

The Monitoring Officer referred to the register of gifts and hospitality. The Suffolk Code required that Councillors declare gifts and hospitality which they had received that were worth at least £25. These declarations formed part of the Members' Register of Interest form. Officers of the Council were also required declare gifts and hospitality which they had been offered that were worth at least £10, in line with the Council's Officer Code of Conduct; a list of these declarations was contained in Appendix A to the report.

It was noted that under s29 of the Act, the Monitoring Officer was required to establish and maintain a register of interests of members of the Council and for Members of town and parish councils within the authority's area. Under s30(1) of the Act, Members had 28 days from the day of taking office in which to notify the Monitoring Officer of

any DPIs and to complete a register of interests form. The Monitoring Officer was pleased to report that all members of East Suffolk Council had met this requirement and, in line with the requirements of the Act, the register of interests was available for public inspection on the Council's website.

The Committee was advised that a new online register of interests form had been developed and launched in time for Local Elections in May 2019. Details of the system had been sent to all Town and Parish Clerks in order for them to set up their Members on it, and Members had been sent follow-up emails, directly, explaining how to use it. The Monitoring Officer confirmed that of the 1,052 Town and Parish Councillors in the District, 940 had completed a register of interests form and 112 had not, which was a return rate of 89%.

The Monitoring Officer considered this to be a good rate at the early stage of the administration but obviously, it could be improved upon.

It was confirmed that correspondence would be sent to the Clerks of town and parish councils where Members had not completed a register of interest form, asking them to remind Members of their requirement to do so. The Monitoring Officer stated that this correspondence would be copied to the relevant Ward Members so that it could be discussed when they visited the town and parish councils in their Wards. It was confirmed that the progress of this work would be reported to future meetings of the Committee.

The Chairman invited questions to the Monitoring Officer.

The Monitoring Officer confirmed that those Members who had not completed a register of interests form were not disqualified from office. However, it was a criminal offence not to complete the form within 28 days of taking office, unless a councillor has a reasonable excuse for not doing so. If any Member was prosecuted for such an offence, and subsequently convicted, they may then be disqualified from office; the Monitoring Officer said that she was aware of only one prosecution that had been brought, nationally, for this offence, since 2012.

A member of the Committee gave an example of where she had been offered theatre tickets, which she had declined, and asked if she should have declared this. The Monitoring Officer advised that Members only needed to declare gifts and hospitality which they had accepted, whereas Officers were required under their Code to declare anything offered that was worth £10 or more.

The Chairman commended the high rate of return of register of interest forms from town and parish councillors and concurred with both the Monitoring Officer's view that this could be improved and the proposed communications to achieve this. He asked that Ward Members be kept informed about this, and further steps to improve the rate of return.

RESOLVED

That the contents of the report be noted.

The Monitoring Officer left the meeting following the conclusion of this item.

5 Indicative Annual Fee Letter 2019/20

The Committee received report **ES/0088** of the Leader of the Council and Cabinet Member with responsibility for Resources. The report was introduced by Councillor Cook, Assistant Cabinet Member for Resources, who advised that Ernst and Young (EY) had issued their indicative annual fee letter for 2019/20.

The audit fee was the first to be issued for East Suffolk Council and was based on the overall level of risk in 2019/20 not being significantly different to the risks from the predecessor Councils in 2018/19. The indicative audit fee had been set at £69,964 for 2019/20, and EY had also indicated that its proposed audit fee for reporting on the housing benefit subsidy claim was £15,829.

Councillor Cook covered each section of the report in detail and noted the savings that have been achieved by the creation of East Suffolk Council. He introduced Mr Poynton from EY, who was present at the meeting.

The Chairman invited questions to Councillor Cook and Mr Poynton.

Mr Poynton confirmed that the fee for reporting on the housing benefit subsidy claim was dependent on case volume.

In response to a question from a member of the Committee, it was confirmed by the Chief Finance Officer that the Council was required to use an external auditor based on the framework set by the PSAA and that EY had been selected from the national scheme, which meant that the Council was unable to go out to tender and seek a local firm. He stated that using EY resulted in significant savings for the Council.

The Chief Finance Officer and Mr Poynton explained that the indicative fees were calculated by assessing historic error rates.

A member of the Committee asked if the fees would be changed by any Brexit impact. The Chief Finance Officer considered that Brexit should not impact the production of the Council's accounts and therefore the overall fee would not be affected.

The Chairman noted the savings made and stated that this was a fantastic achievement. He highlighted the delay in EY being able to audit the 2018/19 accounts and said that the Committee would work closely with EY on this matter. He confirmed that this would result in a delay in the publication of these accounts but assured the Committee that this would not reflect badly on the Council.

The Chief Finance Officer advised that as the audit of the accounts would not be completed by 31 July the Council was required to put out a statement on its website, and he would work with EY to agree wording on why the delay has occurred.

It was noted that EY's lack of resources and staff turnover was the cause of the delay and that it was in the process of training new staff. It was intended to begin the audit at the start of September 2019, with its completion occurring in October 2019, and that

a Special meeting of the Committee would be organised in Mid-November 2019 in order to approve the audited accounts. The Chief Finance Officer noted that the problems experienced by EY were not dissimilar to those experienced by other auditing firms at a national level.

RESOLVED

That the indicative annual fee letter for 2019/20 from Ernst and Young be noted.

The Chief Finance Officer and Mr Poynton both left the meeting following the conclusion of this item.

6 Annual Internal Audit Report 2018/19

The Committee received report **ES/0089** of the Leader of the Council and Cabinet Member with responsibility for Resources.

The Annual Internal Audit Report 2018/19, set out in Appendix A of the report, detailed the work undertaken by the Internal Audit Service for the year 2018/19 in accordance with the plan for the year that had been presented to both Suffolk Coastal and Waveney District Councils in March 2018. The report was presented to the Committee in accordance with its terms of reference.

The report was introduced by Councillor Cook, Assistant Cabinet Member for Resources, who noted the hard work undertaken by the Head of Internal Audit and her team and the substantial savings that had been identified through the work undertaken. He invited the Head of Internal Audit to present the report.

The Head of Internal Audit advised the Committee that she was required to give an opinion, in her annual report, on the adequacy and effectiveness of the Council's systems of governance, risk management, and internal control in the previous financial year. She referred to her opinion at section one of the Annual Internal Report at Appendix A of the report and confirmed that her opinion for 2018/19 was one of reasonable assurance.

The different ratings available were outlined and the Committee was advised that a reasonable rating was a normal one, and that it was rare for an effective assurance to be given.

The comments regarding areas to improve, particularly relating to both contract management and asset management, were brought to the Committee's attention. The Head of Internal Audit noted the improvements in these areas during 2018/19 but stated that further work was required at the time the report was written, and that it would not be prudent to give the service a clean bill of health.

The table at 3.1 of Appendix A to the report, detailing the spread of work completed, was outlined.

The Head of Internal Audit confirmed that she was PSIAS compliant; she was subject to both self-assessment as well as external assessment. She said that it was important

that the Committee knew the Council's Internal Audit Service was up to standard and was confident in the experience and qualifications of its officers.

The Committee's attention was drawn to Appendix D of the Annual Internal Audit report, which outlined areas of work cancelled or deferred. The Head of Internal Audit reported that two of the pieces of work had been cancelled as they were no longer required, and the remainder of work had been deferred.

The Head of Internal Audit highlighted the 20 days in the Internal Audit plan that were at the gift of the Committee should it feel an area was required for review, including increasing scope.

The Chairman invited questions to the Head of Internal Audit.

A member of the Committee sought clarification from the Head of Internal Audit on the ratings available to her for her opinion. She defined the effective rating as being that, under testing, no concerns had been raised. Reasonable was defined as there being some specific control weaknesses but generally adequate and effective, limited was defined as controls being unlikely to provide reasonable assurance, and ineffective was defined as controls not being adequate or appropriate. She advised that this was in line with PSIAS standards and agreed to further qualify this in future reports to the Committee.

In response to another member of the Committee, in reference to the Review of Housing Benefits, the Head of Internal Audit explained that the Anglia Revenues Partnership (ARP) held the core systems for the five different sovereign councils in the ARP; the partnership delivered revenue and benefits services for the Council, but the duty and responsibility of these services remained with the Council, including the responsibility to internally audit the services provided.

It was agreed in 2017 to share out the auditing of the services provided by ARP between the sovereign councils within the partnership, as each had its own Internal Audit Service. Councillor Cook noted that he was the Council's appointee to the ARP Joint Committee, which he attended along with Mr Khan, Strategic Director and Mr Taylor, Chief Finance Officer.

It was confirmed that training on tendering processes would be part of the Council's Member Development Programme.

The Chairman expressed confidence in the Council's Internal Audit Service, noting that it was picking up issues as soon as possible. He considered the change from two councils to a single authority had been challenging and asked what impact this had on the service.

The Head of Internal Audit stated that her service was a small one and had the minimum resources available to carry out its function. She noted her responsibilities as the Council's Data Protection Officer and said that if this work was going to continue, additional resources would be requested. The Chairman asked that any need for additional resources be brought to the Committee's attention as soon as possible.

The Chairman asked for a definition of a joint review. The Audit Manager stated that this was when a review covered the two predecessor councils. Joint reviews would not be necessary now that East Suffolk Council had been created and it was confirmed that the Internal Audit Service had worked as a single team across the predecessor councils prior to their demise.

RESOLVED

That the Head of Internal Audit's Opinion for 2018/19, as set out in Appendix A to the report, had been commented upon.

7 Corporate Fraud Annual Business Report 2018/19

The Committee received report **ES/0090** of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Cabinet Member with responsibility for Housing.

The report provided a summary of the performance of the Corporate Fraud Service covering Suffolk Coastal and Waveney District Councils for the period 1 April 2018 to 31 March 2019. The report was presented to the Committee in compliance with its terms of reference.

The report was introduced by Councillor Cook, Assistant Cabinet Member for Resources, who invited the Head of Internal Audit to present the report.

The Head of Internal Audit noted that the work of the Corporate Fraud Service was delivered by 3.4FTE officers, including the Corporate Fraud Manager who was present at the meeting.

The team cost a total of £188,000 a year and had identified £1.8m in savings. She described the team as being dedicated and noted that a majority of its work was related to housing fraud. A large amount of work had been undertaken regarding building relationships and sharing intelligence with other agencies.

It was highlighted to the Committee that when housing benefit fraud was moved to the Department for Work and Pensions in 2015, many authorities did not retain their Corporate Fraud services. A case was made to both predecessor councils at that time for a Corporate Fraud resource to look at other areas and considered that the service had justified its costs. The team also included financial investigators which increased its skill set.

The Head of Internal Audit referred to the early prevention work undertaken by the team, as it was able to define between genuine applicants who had made an error, against fraudulent claims. She assured the Committee that the service was a supportive one and was also able to react appropriately to any safeguarding issues.

The Chairman invited questions to the officers.

The Corporate Fraud Manager confirmed that more proactive exercises in relation to blue badge fraud would be undertaken and that the team was working alongside Suffolk County Council regarding the impact of the qualifying criteria for a blue badge.

The Head of Internal Audit Service advised that she had been interviewed by the local press regarding the work of the service and that an article should be published soon.

The Chairman applauded the positive results achieved by the Corporate Fraud Service and considered it important that the team was not reduced, as it provided excellent value for money.

RESOLVED

That the performance of the Corporate Fraud Service for the year 2018/19 had been commented upon.

8 Internal Audit Reports Recently Issued

The Committee received report **ES/0091** of the Leader of the Council and Cabinet Member with responsibility for Resources.

The report issued Internal Audit reports to the Committee to enable it to fulfil its terms of reference and invited the Committee to comment upon the contents of the Internal Audit Reports at Appendix A of the report.

The report was introduced by Councillor Cook, Assistant Cabinet Member for Resources, who invited the Head of Internal Audit to introduce the report.

The Head of Internal Audit referred to the Internal Audit Report related to the Joint Review of Bank Reconciliations and General Ledger 2018/19, which gave an effective opinion of assurance. In response to a question from a member of the Committee, she advised that the term feeder systems related to systems feeding into the general ledger, for instance the payment card industry and the IDOX system.

The Head of Internal Audit then referred to the Internal Audit Reports related to Ethics and Culture 2018/19 and the Joint Review of Accounts Receivable 2018/19, which both gave effective opinions of assurance. There were no questions to the Head of Internal Audit regarding these reports.

Members of the Committee commented favourably on the style of the Internal Audit reports.

RESOLVED

That the contents of the Internal Audit reports had been commented upon.

9 Audit and Governance Committee's Forward Work Programme

The Committee reviewed its Forward Work Programme and, in particular, considered and confirmed the items of business that would be postponed due to the delay in EY's audit.

The Chairman confirmed that a Special meeting of the Committee would be confirmed in mid-November 2019 to hear these items. It also confirmed an additional item of business it wished to hear at its meeting scheduled for 6 January 2020.

10 Exempt/Confidential Items

RESOLVED

that under Section 100(a)(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.

11 Internal Audit Reports Recently Issued

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

12 Internal Audit: Status of Actions

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

13a Exempt Minutes of the Waveney District Council Audit and Governance Committee meeting held on 7 March 2019

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

13b Exempt Minutes of the Suffolk Coastal District Council Audit and Governance Committee meeting held on 12 March 2019

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

The meeting concluded at 8:28 pm

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Chairman