

Confirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, Melton on **Monday, 18 November 2019 at 6.30pm**

Members of the Committee present:

Councillor Edward Back, Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Chris Mapey, Councillor Rachel Smith-Lyte

Other Members present:

Councillor Maurice Cook

Officers present: Sarah Davis (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Brian Mew (Interim Finance Manager), Julian Sturman (Senior Accountant)

1 Apologies for Absence and Substitutions

An apology for absence was received from Councillor Gandy. Councillor Byatt attended as her substitute.

2 Declarations of Interest

No declarations of interest were made.

3 Minutes

RESOLVED

That the Minutes of the Audit and Governance Committee meeting held on 29 July 2019 be approved as a true record and signed by the Chairman.

4 Update on Return Rate for Register of Interests

Members were reminded of report ES/0087 which had been presented to the Committee on 29 July 2019. The report had given an update on standards and declarations of interests, including a section about the return rate for Register of Interests forms from Town and Parish Councillors in the East Suffolk area. Under S30(1) of the Localism Act 2011, Members had 28 days from the day of taking office in which to notify the Monitoring Officer (MO) of any Disclosable Pecuniary Interests (DPIs) and to complete a Register of Interests form which meant that those Members

elected on 2 May 2019 had until midnight on 3 June 2019 in which to complete their form.

At the July meeting, it had been reported that 124 of the 1052 Town and Parish Councillors in East Suffolk had not returned their Register of Interest form which represented a 12% non-return rate with 88% having returned their form. It was noted that there were currently 1077 Town and Parish Councillors and, of these, only 16 had not returned their form which represented a 1% non-return rate with 99% having returned their form. The Democratic Services Officer reported that Officers were confident that at least 2 of the 16 outstanding forms would be returned shortly and the Head of Legal and Democratic Services would write to the rest with a reminder that it was a criminal offence under S34 of the Localism Act 2011 for Members, without reasonable excuse, to fail to comply with the requirements in S30(1) to notify the MO of their DPIs.

Members were informed that East Suffolk had a higher return rate than other local Districts eg West Suffolk had a return rate of 95%.

The Chairman welcomed the high return rate and suggested that Officers be thanked for their excellent work in proactively pursuing the outstanding forms.

RESOLVED

That the contents of the agenda item be noted and all the Officers involved be thanked for their proactive work in achieving such a high rate of return.

5 Treasury Management Outturn Report for 2018/19 & Mid Year Report for 2019/20

The Committee received the Leader of the Council and Cabinet Member with responsibility for Resources' report ES/0142. Councillor Cook, the Assistant Cabinet Member for Resources, introduced the report by reminding Members that the Treasury Management Policy Statement for 2018/19 required an Annual Report and Mid Year report to be produced by the 30 September 2019. He added that the report reviewed performance of the treasury management function, including prudential indicators in 2018/19 and incorporated a mid year review of 2019/20.

It was noted that in 2018/19:

- Suffolk Coastal District Council investments totalled £66.89m as at 31 March 2019, made up of £50.5m short term investments, £7.39m long term investments with £9m in cash at bank. Interest received on investment balances during the year totalled £0.55m.
- Waveney District Council investments totalled £46.39m as at 31 March 2019, made up of £31m short term investments, £2.39 long term investments and £13m of cash at bank. Interest received on investment balances during the year totalled £0.41m.
- Both Councils had operated within their approved Prudential Indicator Limits for 2018/19.

Members were informed that Suffolk Coastal had remained debt free during this period but the debt portfolio for Waveney was £87.57m of which £77.4m was attributable to the HRA which included £68.30m of Self-Financing loans taken out in 2011/12. The General fund loans totalled £10.17m.

The following summary for 2019/20 to date was also noted:

- Investments totalled £109.36m as at 31 August 2019.
- Interest received to 31 August 2019 totalled £0.34m.
- The Council operated within its approved Prudential Indicator Limits to date.
- The Council had healthy cash balances in 2018/19.

Reference was made to the fact that the Annual Report and Mid Year Report was required to be reported to Full Council by 30 September 2019 and it was noted that, although the documents had been ready in time, there had not been an opportunity to present them as they had to be considered by the Audit and Governance Committee first and the September meeting had been cancelled. It was pointed out that this delay in presenting the documents was evident by the fact that the Economic Outlook section of the report was now out of date and, of course, there were likely to be changes post the election on 12 December 2019.

In relation to the Investment Policy, the Assistant Cabinet Member stated that consideration was given in all decision making to security first, liquidity second and yield/return third to ensure that the Council did not lose money and had enough cash. He added that the main objective was to have enough money but this was only possible once we were satisfied that security and liquidity were in place.

Clarification was sought on when investments were looked at to ensure that they remained ethical and the Assistant Cabinet Member responded that funds were constantly under review with advice sought from the Council's Treasury Advisor, Arlingclose on borrowing and if an investment became inappropriate the Council could look to switch.

A query was raised as to why the loan figures had reduced and the Assistant Cabinet Member reported that the figures were reviewed constantly as loans were paid off throughout the year and also investments could come to maturity during that period. He reassured Members that, if it was feasible to repay loans from reserves, the Council would do so.

The Chairman suggested that, in future, a third column be added to the table on page 14, paragraph 4.3 to show the percentage return so that Members could make further comparisons. He also suggested that the Committee might want to look at the long term investments in more detail at a future meeting to understand why, in particular, the Council was only receiving a small increase in the interest rate on its 3-24 month investments.

In addition, the Chairman queried why more money was not being invested in the Property Investment Fund given it was giving a 4.69% interest rate which was a much better rate of return than the other investments. The Assistant Cabinet Member

pointed out that, whilst it was likely extra funds would be invested in the Property Fund, having more money in one investment also increased the risk.

A query was raised in relation to the Council's banking arrangements and the Assistant Cabinet Member reported that the contract would be reviewed when it expired in 2 years' time.

RESOLVED

1. That the Annual Report on the Council's Treasury Management activity for 2018/19, incorporating the Mid Year review for 2019/20, be noted.
2. That the Prudential Indicators Outturn position for 2018/19 in Appendix A & B be noted.

6 Internal Audit: Revised Internal Audit Plan 2019-20

The Committee received the Leader of the Council and Cabinet Member with responsibility for Resources' report ES/0191. Councillor Cook, the Assistant Cabinet Member for Resources explained that the report presented a proposed revised Internal Audit Plan for 2019-20 and it was noted that relevant Heads of Service had been informed of the amendment to the Plan where it affected their area. Members were reminded that the Internal Audit Service acted in accordance with the Accounts and Audit Regulations (2015) and aimed to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). The report had been prepared in accordance with the Audit Charter and was being presented to Members in accordance with their terms of reference which stipulated that the Audit and Governance Committee was to "approve, (but not direct), internal audit's work plan" and "to promote the value of the audit process".

The Head of Internal Audit explained that, despite advertising twice since April 2019, it had been difficult to recruit a suitably qualified experienced Senior Auditor resulting in a shortfall in resources of approximately 185 days. She had, therefore, used a risk based approach to review and revise the Plan by deferring the following assurance audits into the 2020-21 Plan:

- Payroll (including recruitment)
- Treasury Management
- Income (Cash) and Banking
- Commercial Rents
- Budgetary and Data Control
- Declaration of Interests
- Asset Management Follow Up (Part 2)
- Organic Green Waste

Members were informed that other Local Authorities were having similar issues because there was a lack of Senior Auditors available and it was pointed out that the external Auditors had given staffing levels as one of the reasons there was a delay in approving the accounts. The Head of Internal Audit stated that, because of the problems recruiting a Senior Auditor, she was now thinking of recruiting an Auditor but

obviously they would need much more support. She acknowledged that, given it was already a lean team, it was clear to see the impact the reduction in resources had had.

Clarification was sought on whether this change to the Plan would delay the audit on Asset Management and the Head of Internal Audit confirmed that it would not as her Team was already carrying out an audit for this Service which was additional to their overdue recommendations.

Reference was made to the proposal to defer and merge the audit for Income (Cash) and Banking and it was queried whether or not monitoring would still take place in the meantime, particularly in relation to Council credit cards. The Head of Internal Audit confirmed that Finance would continue monitoring and carefully checking any high risk elements such as these. She added that the Council received national alerts about any frauds or scams which could include corporate credit cards and Officers would then look at the Council's internal processes.

The Officers were thanked for doing what they could to prevent against fraudulent activities and the point was made that it could not be helped if trained audit staff were not available. It was suggested that it was important for the public to be notified via the Council's website of any frauds/scams if they were also at risk. The Chairman acknowledged that there might be an impact on the team's capacity if they had to train someone up for a couple of years and he requested, therefore, that the Head of Internal Audit keep the Committee informed, especially given that Members might have to make adjustments to the Plan to allow that to happen.

RESOLVED

That the revisions made to the Annual Internal Audit Plan 2019-20 be noted and approved.

7 Internal Audit Reports Recently Issued

The Committee received the Leader of the Council and Cabinet Member with responsibility for Resources' report ES/0192. Councillor Cook, the Assistant Cabinet Member for Resources introduced the report which gave details of recently issued Internal Audit reports in relation to Disabled Facilities Grants (DFG) Certification and Framlingham Connected Communities Pilot Scheme Grant Claim Form.

DFG Certification

The Committee was reminded that DFGs were a means tested grant paid to disabled residents for adaptations to their homes. Suffolk County Council was responsible for the function but the funding was devolved to District Councils to administer at a local level.

It was noted that Suffolk Coastal and Waveney District Councils had received £1,590,240 of funding in 2018/19 with Grant payments totalling £1,678,672 and, as at 2 September 2019, committed funds totalled £252,584.

The Head of Internal Audit clarified that the objective of the audit had been to verify that the Certification process for DFGs in 2018/19 had been administered in

accordance with Grant conditions determined by central Government eg did the money arrive as it should and did we use it correctly, rather than being about the actual works carried out. Members were informed that all the Grants reviewed had been administered in accordance with the Grant conditions and the correct Grant allocation had been received by Suffolk Coastal and Waveney District Councils. She concluded that no recommendations had been raised and Audit had deemed that the control adequacy was “effective”.

Framlingham Connected Communities Pilot Scheme Grant Claim Form

The Head of Internal Audit reported that this review had been carried out at the request of the Strategic Director and Head of Communities and was undertaken as part of the Audit Team’s consultancy support for internal Services, rather than the normal assurance work. She added that the audit would be reported as an addition to the 2019/20 risk-based Internal Audit Plan approved by the Audit and Governance Committee at Suffolk Coastal on 12 March and Waveney District Council on 7 March 2019.

Members noted the objectives for the review. It was explained that the claim form for 2019/20 had been reviewed against best practice claim forms and terms and conditions. The Council did not have to comply with any external conditions as it was an internally funded scheme. It was clarified that the review did not assess the application process, awarding criteria or reporting and monitoring of the scheme. The Head of Internal Audit referred Members to the report which detailed a list of recommendations made in relation to the grant claim form.

The Chairman stated that, given DFGs amounted to a considerable amount of money for the Council, it was great to see that an effective audit had been carried out on the grant claim form to ensure it was fit for purpose. He added that it was also important and useful for Committee Members to see the variation of work undertaken by Internal Audit.

RESOLVED

That the contents of the Internal Audit Reports in relation to Disabled Facilities Grant (DFG) Certification and the Framlingham Connected Communities Pilot Scheme Grant Claim Form be noted.

8 Audit and Governance Committee's Forward Work Programme

The Committee reviewed its Forward Work Programme and the Chairman reported that there might need to be an extra meeting on 30 March 2020 to consider the Accounts which had been postponed due to the delay in EY’s audit. Members were asked to speak to the Chairman or Vice-Chairman if they had any additional items they wanted the Committee to consider.

RESOLVED

That the Work Programme, including the possible additional Committee date on 30 March 2020, be approved.

9 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.

10 Exempt Minutes

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

11 Internal Audit: Status of Actions

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

The meeting concluded at 7.30pm.

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Chairman