

Confirmed



Minutes of a Meeting of the **Audit and Governance Committee** held remotely via Zoom
on **Monday, 15 March 2021 at 6.30pm**

Members of the Committee present:

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

Other Members present:

Councillor Peter Byatt, Councillor Maurice Cook

Officers present:

Katherine Abbott (Democratic Services Officer), Sarah Davis (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Laura Fuller (Audit Manager), Marie McKissock (Finance Manager Compliance), Brian Mew (Chief Finance Officer), Sheila Mills (Corporate Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer) and Hilary Slater (Head of Legal and Democratic Services).

Others present:

Debbie Hanson, Ernst & Young (EY)

1 Apologies for Absence and Substitutions

There were no apologies for absence received.

2 Minutes - 14 December 2020

RESOLVED

That the Minutes of the Meeting held on 14 December 2020 be agreed as a correct record and signed by the Chairman.

3 Minutes - 18 January 2021

RESOLVED

That the Minutes of the Meeting held on 18 January 2021 be agreed as a correct record and signed by the Chairman.

4 Declarations of Interest

There were no Declarations of Interest.

5 Proposed Changes to the East Suffolk Council Constitution

The Committee received the report of the Leader of the Council detailing two proposed changes to the Constitution in relation to the Appointments Committee for approval prior to consideration by Full Council.

The Head of Legal and Democratic Services explained that the Appointments Committee was responsible for the appointment/dismissal of Strategic Management Team and Heads of Service. It also recommended to Council that a formal offer of appointment be made for the Head of Paid Service. She stated that the first proposed change to the Constitution was to amend Paragraph 5 of Section C of Part 2 to reduce the number of Members on the Appointments Committee from six to three. Previously appointments had been made jointly between the two predecessor authorities with three Members from each Council as follows:

- Leader or Deputy Leader of the Council in their absence
- Cabinet Member for the Service Area concerned or another Cabinet Member in their absence
- One Member of the Opposition (or nominated substitute in their absence)

The new East Suffolk Council Constitution had continued with a membership of six, politically balanced with the requirement for at least one member of the Cabinet. It was thought, however, that having six Members plus senior officers and an HR representative on the interview panel could be daunting for candidates, especially if the meeting was being held remotely. It was hoped that the Opposition Groups would work together to rotate attendance at this Committee.

The Committee was informed that the second proposed change was to reflect that Paragraph 11.3 of Section A of Part 2 of the Constitution should refer to the Appointments Committee rather than the Appointments Panel, and also that some appointments needed to be ratified by Council such as the Head of Paid Service, s151 Officer and Monitoring Officer, and Cabinet were consulted about certain appointments to ensure that they had no well-founded objections to what was being proposed.

The Chairman asked the Labour Opposition Group Leader who was observing the meeting if he had any comments regarding the proposed changes. Councillor Byatt thanked the Chairman for the opportunity to speak and confirmed that he agreed with the changes as they made sense. He added that he would be happy to liaise with the GLI Opposition Group Leader regarding rotating attendance.

RESOLVED

That the proposed changes to the Constitution as set out in the report be endorsed and they be recommended to Full Council for approval.

The Head of Legal and Democratic Services left the meeting at this point.

6 East Suffolk Council Draft Statement of Accounts 2019/20

The Committee received the report of the Cabinet Member with responsibility for

Resources who explained that, as per the Accounts and Audit Regulations 2015, the draft Statement of Accounts for 2019/20 had originally been due to be published by 31 May 2020 with a period of public inspection following that date. Due to the Coronavirus pandemic, however, the publication date for the draft Statement of Accounts had been delayed by Government. The Accounts and Audit (Amendment) Regulations 2020 amended the relevant sections of the Accounts and Audit Regulations 2015, requiring a new deadline for the publications of the draft Statement of Accounts of 31 August 2020. The Council had achieved this deadline and published its draft Statement of Accounts on the Council's website in August 2020.

The Cabinet Member continued that the publication date for final, audited, accounts for 2019/20 was also moved from 31 July 2020 to 30 November 2020, although this was not a statutory deadline. The work of the external auditors, Ernst & Young (EY) had been delayed due to the impact of the Coronavirus pandemic on external audit resourcing. The Council had placed a notice of late publication of the audited accounts for 2019/20 on its website. At this time, the audit was substantially complete and EY had now issued a Provisional Audit Results Report 2019/20 which was covered under a separate item next on the agenda.

It was noted that Appendix A was a copy of the Draft Statement of Accounts for 2019/20 as published on the Council's website in August 2020. It did not include any adjustments that had been identified since publication and agreed by the Council and EY. EY aimed to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 would be presented to the Committee at the earliest opportunity for comment and approval. In the meantime, therefore, the Committee was recommended to note the East Suffolk Council Draft Statement of Accounts for 2019/20 prior to any adjustments being made on conclusion of the audit by EY.

The Chairman commented that, for future years, it would be useful for the Committee to be able to look at the draft accounts prior to them being published.

On the proposition of Councillor Back, seconded by Councillor Cooper it was

RESOLVED

That the East Suffolk Council Draft Statement of Accounts for 2019/20 be noted.

7 East Suffolk Council - Provisional Audit Results Report 2019/20

The Committee received the report of the Cabinet Member with responsibility for Resources who explained that the Comptroller and Auditor General's Code of Audit Practice required Ernst & Young LLP (EY) to report to this Committee on the work they had carried out in respect of East Suffolk Council to discharge their statutory audit responsibilities together with any governance issues identified.

It was noted that, at this time, the audit of East Suffolk Council's Statement of Accounts for 2019/20 was substantially completed. As stated in the EY Provisional Audit Results Report 2019/20, no issues had been identified to date that would lead to a qualified opinion. There were also no audit matters arising with regards to arrangements to secure economy, efficiency and effectiveness of the Council's use of resources.

Members were informed that, to date, EY had not identified any unadjusted audit differences which the Council had chosen not to adjust for. Since publication of the Draft Statement of Accounts, the Council had identified three adjustments to be made and the audit work of EY had identified one further adjustment which had been agreed with the Council and was detailed in Section 4 of the Provisional Audit Results Report. EY were aiming to finalise their work at the end of March 2021. On completion of the audit, the Audited Statement of Accounts for 2019/20 would be presented to the Committee at the earliest opportunity for comment and approval and this would include an update on any further audit differences not reported at this stage. In the meantime, therefore, the Committee was recommended to note the external auditors' findings within the Provisional Audit Results Report 2019/20.

Debbie Hanson from EY went through the Provisional Audit Results Report in detail. She commented that the accounts had been well prepared and there were very low levels of differences and errors. Members' attention was drawn in particular to the Executive Summary and the Committee noted that there were now some changes to EY's provisional planning report considered at their September meeting in relation to the reporting timescales because, as a result of Covid19, new Regulations had changed the publication date for final, audited accounts to 30 November 2020. In addition, EY had carried out additional audit procedures on Group accounts which had not been included in the Audit Plan considered in September. EY had also identified changes to the risk assessment in relation to bad debt provision and the need for enhanced disclosures on going concern as a result of Covid. In addition, attention was drawn to a material uncertainty in the valuation of land and buildings and Council dwellings, as well as investment property, due to the impact of Covid. Ms Hanson also explained that IFRS16 had been dropped from the Audit Plan as it had been deferred to April 2021 due to Covid.

EY had also reconsidered the performance materiality which had been set at 50% of planning materiality in order to reflect the fact that 2019/20 was the first year of East Suffolk Council. In relation to Information Produced by the Entity (IPE), due to Covid, Microsoft Teams had been used to evidence the re-running of reports used to generate information for the audit. It was noted that EY also had additional consultation requirements due to Covid in relation to the going concern point and the valuation uncertainty in relation to land and buildings and investment property. It was confirmed that the key area outstanding was the valuation work on property plant and equipment, and investment property which could result in additional changes to the audit work. Ms Hanson confirmed that EY had not identified any unadjusted audit differences which management had not amended, although she pointed out that there could be issues arising from the remaining work that require some further changes. Attention was drawn in particular to the areas of audit focus in relation to risk and there were no significant issues. Members were informed that the Value for Money work had not identified any significant risks, therefore, an unqualified Value for Money conclusion would be issued. Ms Hanson highlighted the Draft Audit Report - Emphasis of Matter - Impact of Covid19 on page 173 and page 178 in relation to the Summary of Adjusted Differences which noted some adjustments to the accounts regarding pension liability, imbalances regarding the settlement of the Felixstowe Docks appeal and Suffolk County Council Coastal Defence capital spend which should have been revenue expenditure. She clarified that none of these would impact on the position of the Council. She stated that this concluded her report which she hoped had drawn

attention to the changes management had made and that Members noted that EY had identified only a small difference of £212,000 in relation to the Council's share of reserves and associates. In conclusion, Ms Hanson stated that these were a very good quality set of accounts to date with very few amendments required.

The Chairman stated that these were very positive provisional results especially given the circumstances and that he was pleased with the query regarding valuation but, given the mix of assets East Suffolk had, he queried if EY was happy the valuations would not be any major issue. Ms Hanson responded that it was difficult to say until the valuers had completed their work but given the level of investment property was only £2.9m this was not significant. She stressed that she did not want to second guess the valuers' conclusions especially given she knew there had been some questions for management.

The Chairman also queried the audit timings for 2020/21 and whether they would be late which might cause the Council some problems. The Chief Finance Officer clarified that the proposed phasing would put East Suffolk in the November/December timescale and, therefore, he and Ms Hanson had discussed whether it would be possible to bring this forward to July/August to enable East Suffolk to get back into the normal cycle. Obviously that depended on whether the 2019/20 audit had been concluded and if other Authorities agreed to the re-phasing. Ms Hanson stated that phasing had been introduced as it was impossible for EY to deliver everything in the period up to end of September, however, they would take on board the comments made by the Chairman and Chief Finance Officer to see if it would be possible to bring forward the work for East Suffolk, although this would depend on EY being able to finish the 2019/20 audit work in relation to the valuations.

On the proposition of Councillor Back, seconded by Councillor Cooper, it was

RESOLVED

That the External Auditors' findings to date within the Provisional Audit Results Report for 2019/20 be noted.

The Finance Officers and Ms Hanson left the meeting at this point.

8 Corporate Anti-Fraud Business Plan 2021-22

The Committee received the report of the Cabinet Member with responsibility for Resources in relation to the Corporate Anti-Fraud Business Plan 2021-22 which detailed the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The Cabinet Member explained that the plan set out the high-level desired outcomes and management processes aligned to the Council's strategic themes and objectives. It was noted that the report was being presented to this Committee in compliance with its terms of reference to "monitor Council policies on... Anti-Fraud and Corruption".

The Head of Internal Audit reported that East Suffolk Council maintained a zero-tolerance approach towards fraud and corruption and as such had a professional dedicated Corporate Fraud Service connected to local, regional, national and international crime agencies. Reference was made to page 220 detailing the Fighting

Fraud and Corruption Methodology used for this work to govern, acknowledge, prevent and pursue. Attention was also drawn to page 215 detailing some national statistics which included that £215m fraud had been identified across the public sector from 1 April 2018 to 4 April 2020. The report also contained an explanation of what fraud, corruption, bribery and theft was and included the Fraud Triangle on page 217. The Head of Internal Audit reminded the Committee of the resources within the Fraud team which were 3.4FTE and the fact that the Council worked in partnership with Ipswich Borough Council so additional resources could be drawn upon if necessary and vice versa. She added that, within those teams there were also some financially trained officers to carry out financial investigations in association with the National Crime Agency. It was noted that the key activities for the Team moving forward were listed on page 219 with the main focus being on Covid related grant anti-fraud work eg pre and post checks of applications, ratifying and verifying information and supporting applicants. Members were reminded that there were currently 11 different types of business grants available. Attention was drawn to page 219 which listed the rest of the work the Team would cover including cyber crime linked to pandemic issues, tenancy area work, procurement, car parking and the national fraud exercise which was obligatory. The Head of Internal Audit reiterated that the main emphasis for the Team, supported by the Audit Team, would be supporting the grant work. She added that she would report further, later in the year, on progress.

Councillor Back pointed out that there were reports of significant fraud nationally regarding grant applications and he queried what publicity the Council had done to deter fraudsters from making fraudulent claims. The Head of Internal Audit stated that when people applied, there was a paragraph included on making false claims and there was something on the Council's website regarding fraudulent claims, however, she would be looking to improve on this to make it clearer and easier to see.

Councillor Cooper queried if Blue Badges were checked and the Head of Internal Audit reported that there was a proactive exercise each year in conjunction with Suffolk County Council. In addition, the Council also received referrals which were looked into.

The Chairman pointed out that Covid grants were a huge amount of money and he queried what impact undertaking this work had on the Team. The Head of Internal Audit stated that there had been a significant impact which was why the Audit Manager was supporting the Fraud Manager on this work. In addition, there was support from other Council officers to deal with this swiftly. She reminded Members that there was a Fraud Hotline that information or suspicions could be emailed to fraud@eastsuffolk.gov.uk or by phone 01394 444444.

Councillor Cooper stated that the report mentioned that the team included a .4FTE Corporate Fraud Intelligence Officer and he queried if this part time officer was just based at East Suffolk. The Head of Internal Audit confirmed that this officer worked part time at East Suffolk and a separate officer worked part time at Ipswich Borough Council performing the same functions. Councillor Cooper questioned whether it would be more beneficial to have a full time officer rather than .4FTE. The Chairman reminded the Head of Internal Audit that if she felt the Team was struggling with resources, she could approach this Committee but he acknowledged that sometimes having additional staff was not always the answer as there were time issues in terms of recruiting and training new members of staff.

On the proposition of Councillor Cloke, seconded by Councillor Cooper, it was

RESOLVED

That, having considered and commented upon the document, the Corporate Anti-Fraud Business Plan 2021-22 be endorsed.

9 Internal Audit: Annual Internal Audit Plan 2021/22

The Committee received the report of the Cabinet Member with responsibility for Resources which presented the proposed Internal Audit Plan for East Suffolk Council 2021/22 as agreed with Corporate Management Team. The Cabinet Member explained that the Plan involved many factors and drivers, and a diagram was incorporated within the report which illustrated the overall methodology.

Members were reminded that, as reported to the Committee in September 2020, the impact of the Covid19 pandemic continued to place significant strain on normal procedures and control arrangements across the Council. Internal Audit had and would continue to carry out work to assess the impact on the Council's key activities where changes to normal business practices had occurred in response to the pandemic. Examples seen included changes to the democratic decision-making process, and a significant impact on the Council's statutory responsibilities. Where needed, Internal Audit had been proactive in providing input, advice and assurance to services on any proposed changes.

The Cabinet Member stated that it was not yet possible to fully quantify the additional risk arising from the current, potentially short-term changes to normal business practices, or the overall impact these would have on the framework of governance, risk management and control. This Audit Plan had been developed to consider these impacts and to present the work the Team currently intended to undertake during 2021/22, however, Members should be aware that this Plan might have to be reviewed and adjusted in response to any further changes to risk or business need during these unprecedented times.

Members were informed that the report was being presented to them in accordance with their terms of reference which stipulated that the Committee was to "approve, (but not direct) internal audit's work plan" and also "to promote the value of the audit process". It was noted that Internal Audit Services acted in accordance with the Accounts and Audit Regulations (2015) and followed the Public Sector Internal Audit Standards (2017) (PSIAS) and Local Government Application Note (2019). The Cabinet Member concluded that this report had been prepared in accordance with the Audit Charter.

The Head of Internal Audit referred to page 225 which detailed the resources of the Internal Audit Team which comprised 6.8FTE and it was noted that the resources available should provide approximately 1200 productive audit days. She stressed that the aim was for the Plan to be realistic, however, there was a lot of work because of the pandemic and key areas where the Team had undertaken an assessment of the materiality of the issues eg providing advice on areas due to the pandemic and national fraud initiative work and key systems that need due diligence such as payroll, Port

Health, Council Tax, Business Rates, Disabled Facilities Grants, Licensing, Planning Enforcement etc Members were assured that, whilst the Team had tried to be realistic with this Plan, if there were any delays on starting work, the Committee would be informed.

The Chairman commented that it was a very challenging workload and suggested, therefore, that it would be useful to have a RAG rating for Members to consider the priorities and if necessary some of the lower level requirements had to be left to concentrate on others. The Head of Internal Audit agreed but commented that everything on the Plan had already been prioritised as high priority but inevitably she might have to move things around.

On the proposition of Councillor Back, seconded by Councillor Coulam it was

RESOLVED

That, having commented upon the document, the Annual Internal Audit Plan 2021/22 was approved.

10 Recently Issued Internal Audit Reports (Open)

The Committee received the report of the Cabinet Member with responsibility for Resources giving details of those Internal Audit Reports that had recently been issued.

In relation to the report on Accounts Payable - 2019/20, the Head of Internal Audit reported that this had been given a "reasonable" assurance and one recommendation. the Accounts Receivable 2019-20 had been given an "effective" assurance.

The Chairman stated that these were straightforward and good reports.

On the proposition of Councillor Cloke, seconded by Councillor Coulam it was

RESOLVED

That, having considered and commented upon the contents, the following Internal Audit Reports were noted:

- Accounts Payable - 2019/20
- Accounts Receivable - 2019/20

11 Audit and Governance Committee's Draft Work Programme 2021/2022

The Committee considered and agreed the draft Work Programme for 2021/22.

12 Exempt/Confidential Items

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.

13 Exempt Minutes - 14 December 2020

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

14 Anti-Money Laundering Policy

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

15 Internal Audit: Data Protection Status Update

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

16 Internal Audit: Status of Actions (Exempt)

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

17 Recently Issued Internal Audit Reports (Exempt)

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

The meeting concluded at 8.30pm.

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Chairman