

Minutes of the Audit & Governance Committee
held at Riverside, Lowestoft on **Thursday, 7 March 2019** at **6.00pm**

Audit and Governance Committee Members Present:

Councillors S Woods (Chairman), E Back, M Barnard, M Cherry, Y Cherry, L Coulam and A Green.

Cabinet Members Present:

Councillor B Provan - Cabinet Member for Resources

Officers Present:

K Blair (Head of Operations), M Clarke (Housing Projects lawyer), S Martin (Head of Internal Audit), S Taylor (Chief Finance Officer) and S Davis (Democratic Services Officer).

Others Present:

T Poynton (Ernst & Young)

1. APOLOGIES/SUBSTITUTES

Apologies for absence were received from Councillors T Gandy, K Patience and L Smith.

Councillors M Cherry and Y Cherry attended the meeting as Substitutes for Councillors T Gandy and K Patience respectively.

2. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

3. MINUTES

RESOLVED

That, subject to the addition of the words “and agreed” at the end of the resolution of item 5 – External Audit Plan for 2018/19, the Minutes of the Meeting held on 17 January 2019 be approved as a correct record and signed by the Chairman.

4. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

The Cabinet Member introduced the report which summarised the results of Ernst and Young’s certification work on the Council’s claims and returns. It was noted that the audit fee was significantly higher than the indicative fee due to the five lots of additional 40+ testing carried out and the additional work required on the Pooling of Housing Capital Receipts Return.

NB Councillor E Back arrived at this point in the meeting.

Mr Poynton referred to the Housing Benefits Subsidy Claim of £31m and it was noted that an amendment had been agreed of £643 which was comparable to the previous year’s amendment of £402. Members were informed that the error rate (35) and resultant 40+ testing for both Waveney and Suffolk Coastal was similar to the previous year but was high

in comparison to other Authorities in the Anglia Revenues Partnership (ARP). He stated that some of the errors had led to overpayments being made and these had totalled £14k this year, whereas the previous year had been £7k. He suggested that this was something Members needed to be mindful of in terms of volume of errors rather than the amount. In relation to the Pooling of Housing Capital Receipts, Mr Poynton stated that there were no issues that needed to be reported, however, he clarified that the scope of work had been based on the previous scope but this had changed somewhat leading to the fee being higher.

Members expressed disappointment at the number of errors and it was suggested, therefore, that issue should be raised with the ARP. The Chief Finance Officer reported that, following feedback last year, ARP had agreed to put in place additional training for staff but it could be that it had not had any impact yet.

RESOLVED

That the findings from Ernst and Young LLP's work on certifying the Council's claims and returns be noted and that the Cabinet Member and Strategic Director be asked to raise the volume of errors issue with ARP.

5. CORPORATE RISK MANAGEMENT UPDATE

The Cabinet Member for Resources presented the report which provided an overview and update on how the Council's strategic and operational risks were managed. It was noted that there were 16 key risks, 10 were amber and 6 green. In addition, two new corporate risks had been identified in relation to the failure to implement East Suffolk Commercial Strategy and the failure to plan and prepare for the consequences of Brexit. He reported the following:

- The Medium Term Financial Strategy (MTFS) was reviewed continuously.
- The risk of failing to produce and deliver a sustainable MTFS now incorporated the delivery of a balanced annual budget and financial governance which had previously been identified as separate risks.
- The risk in relation to the failure of large/significant service delivery contracts/partnerships had been split into two separate risks to reflect "large" and "small" because they could vary significantly.
- The Asset Management Register should be completed by 31 March 2019 and, therefore, the risk had been reduced from "red" to "amber".
- The East Suffolk Business Plan, which had previously been "amber", was now "green".
- The creation of East Suffolk Council was now "green" reduced from "amber" due to the significant work undertaken to transfer on 1 April 2019.

The Chief Finance Officer reported that to date 491 Officers and Members had completed the Risk Management e-learning module and this would be updated in preparation for the implementation of East Suffolk Council. It was noted that the performance of key corporate projects that deliver against the Business Plan were reported within the quarterly East Suffolk Performance Report. The Corporate Project Register was constantly reviewed and developed which included the overall current risk level. Service Plans were available on FRED and fed into the Corporate Performance Report.

It was noted that, as part of the Risk Management Training Programme, the Council's insurance providers and advisers, Zurich Insurance Group, delivered training in November 2018 on the reasons why and how to manage events safely which was attended by 44 officers. In addition, 23 officers attended a session tailored to the Councils' risk management procedures and process.

The Committee was informed that, in December 2018, Zurich facilitated a "horizon scanning and corporate risk challenge" session that involved assessing existing corporate risks and identifying potential and future risks. As a result of this session, current risk scores were challenged, assessed and where relevant re-categorised.

The Chief Finance Officer referred to the Risk Management Toolkit and explained that following discussions with Zurich, the groups of "likelihood" percentages of risks were now more proportional. It was also reported that the existing Joint Strategy would be taken forward as the new East Suffolk Risk Management Strategy.

Reference was made to the last line of the table of risks on page 33 of the report relating to the Annual Budget and it was pointed out that the current rating was "amber" but it was coloured green. The Chief Finance Officer confirmed that it should be an amber colour not green. Clarification was also sought on why ICT's target colour was "amber" and the Chief Finance Officer reported that the Head of ICT had stated that it would never be "green" because there was always a risk of cyber attacks etc.

A query was raised as to the Welfare Reform risk and the Chief Finance Officer reported that Universal Credit had now been completely rolled out. He added that it increased housing rent arrears and the Council was working with the CAB to help people. He continued that the rent arrears were monitored on a monthly basis and a statement of accounts made at year end. Members noted that the Shadow Scrutiny Committee had made a recommendation to the East Suffolk Scrutiny Committee that they review Housing Rent Arrears.

Clarification was sought in relation to the Council Tax increase and the possible effects this would have on rent arrears and people's health. The Chief Finance Officer explained that a lot of people on benefits only paid 8½% so given the increase was £4.05 per year this would equate to 23p a year for someone on benefits in a Band A house. A query was raised in relation to how soon those in rent arrears were chased and the Chief Finance Officer stated that he did not know, however, Tenancy Services were buying a software system that would be able to establish how tenants paid to see when it was most appropriate to chase them. He added that if they did not pay then the tenancy could be removed but this usually ended up with them being homeless which meant they then had to go into B&B accommodation which was more expensive.

RESOLVED

That the latest update report be noted.

6. STANDARDS REVIEW, INCLUDING DECLARATIONS OF GIFTS/HOSPITALITY, COMPLAINTS RECEIVED AND OUTSTANDING REGISTER OF INTEREST FORMS

The Committee received an update report on standards related matters including offers of gifts/hospitality received by Members and Officers, complaints received, together with outstanding Town and Parish Councillors Register of Interest Forms.

The Housing Projects Lawyer reported that, whilst there had been 17 formal complaints since the Suffolk Code of Conduct had been adopted in 2012, which included 3 potential breaches, no additional complaints had been received since the Committee's last update in July 2018. Reference was made to the annual report of the Committee on Standards in Public Life which included a set of recommendations in relation to ethical standards as a result of a review of Local Government standards during 2017-18. Members' attention was drawn in particular to recommendations 2, 3, 5, 7, 10, 16, 17 and 25.

In relation to gifts and hospitality, Members were reminded that they should record any received in their Register of Interest form. Reference was made to the gifts received by Officers over the last year and it was noted that the Monitoring Officer had no concerns.

With regard to Town and Parish Councillor Register of Interest forms, it was noted that 52 had not completed their forms which was 14%.

Clarification was sought on whether unpaid directorships should be declared on Register of Interest forms and the Housing Projects Lawyer stated that this did not appear on the list in the legislation but it could be that it was something Waveney decided to include and it was always better to declare something if unsure. to be on the safe side. He added that the Localism Act 2011 had watered down much of what Members had to declare, however, if Members chose to accept something then it was always best to declare it especially if it was pecuniary.

The point was made that, if the Government implemented the recommendations, this would put power back into the Standards regime, which was to be welcomed.

Reference was made to the requirement for Town and Parish Councillor's Register of Interests Forms to be displayed on their own Town or Parish Council's websites if they had them, and it was suggested that this should be publicised more widely as it was thought there were several websites that did not have any forms displayed on them.

In relation to the 52 outstanding Register of Interest Forms, clarification was sought on what had been done to remind Town and Parish Councillors that it was a legal requirement. The Housing Lawyer stated that other than the letter sent to them in August he was not sure but stated that he would convey the Committee's concerns to the Monitoring Officer.

RESOLVED

That the report on standards issues be noted and that it be publicised more widely that it was a legal requirement to complete Town and Parish Councillor Register of Interest Forms and to then display them on Town and Parish Council websites.

7. ANNUAL GOVERNANCE STATEMENT 2018/19

The Cabinet Member for Resources presented the report on the Annual Governance Statement (AGS) which was a key document that helped provide assurance to Members and other stakeholders as to how the governance of the Council was conducted, how effective it had been for the year, and identified any major issues of improvement raised by the Corporate Management Team, together with emerging issues upon which the Council would need to focus over the coming year.

Members were informed that the County and Audit Regulations 2015 required Councils to produce an Annual Governance Statement by 31 July each year, in line with the conclusion of the audit of the Statement of Accounts, however, with the move to East Suffolk Council from 1 April 2019, the Local Government (Boundary Changes) Regulations 2018 applied. These Regulations required each predecessor Council to prepare and approve an Annual Governance Statement no later than the date of reorganisation and, therefore, the 2018/19 Annual Governance Statement has been prepared providing assurance for the period 1 April 2018 to 31 January 2019. In the event of any material inaccuracy or omission from the approved AGS being identified during the period 1 February to 31 March 2019, or of any matter relevant to internal control arising on or after the reorganisation date, the Section 151 Officer would report these to East Suffolk Councillors and external audit.

The Head of Internal Audit reported that the areas to address in the interim AGS (1 April 2018 to 31 January 2019) within the Statement had been informed by:

- The outcomes of internal and external review bodies that report on the Council's effective governance performance during the year;
- Corporate management team review and assurance (Corporate Governance arrangements);
- The AGS Steering Group assessment and progress monitoring; and
- Changes in Government policy that impact across a wide range of the Council's activities.

The Committee noted that the Code of Corporate Governance approved by Council on 19 September 2018 was embedded within the AGS. Members' attention was also drawn to the seven core principles of the revised CIPFA/SOLACE framework "Delivering Good Governance in Local Government" and the Governance Assurance Framework that showed the span of interest these core principles had across the Council, together with a list of documents and processes supporting the Code of Corporate Governance.

The Head of Internal Audit referred to the list of Significant Governance Issues Identified and Improvement Plan appended to the AGS and it was noted that these had been carried over from 2017/18 and would roll forward to be included in the full year East Suffolk AGS that would be completed in May 2019.

RESOLVED

That the Annual Governance Statement for 2018/19 (1 April 2018 to 31 January 2019) be approved.

8. INTERNAL AUDIT: ANNUAL INTERNAL AUDIT PLAN 2019-20

The Cabinet Member for Resources presented the report enclosing the proposed combined Internal Audit Plan for Suffolk Coastal and Waveney District Council's (branded East Suffolk) 2019-20. It was noted that the construction of the Plan involved many factors and drivers and a diagram was incorporated within the Plan which illustrated the overall methodology. Members were reminded that, in accordance with their terms of reference, the Committee should approve, but not direct, Internal Audit's work plan as well as promoting the value of the audit process.

The Head of Internal Audit referred to the current structure of the Internal Audit Service as detailed in the report. It was noted that there were 5.7 FTEs across Waveney and Suffolk Coastal and it was anticipated that the resources available would provide 850 productive audit days for 2019-20. The Committee was reminded that the team must be compliant with Public Sector Internal Audit Standards (PSIAs) and the annual self-assessment completed during 2018-19 by the Head of Internal Audit had demonstrated continued compliance, highlighting only minor improvement points which had been reported to the Committee.

Reference was made to the main drivers involved in formulating the Audit Plan, together with all the high risk rated areas. In relation to the latter, the Head of Internal Audit reported that those key areas of risk that had not been covered off in the current year would be carried forward to East Suffolk's 2019/20 Plan. She also reminded Members that 15 days had been set aside to carry out any audits suggested by the Committee. The Head of Internal Audit stated that, in her opinion, this was a robust plan aligned to the Corporate Risk Register. She highlighted that the expectation of the PSIAs was that it would cover ethics and culture as well.

Clarification was sought on why some of the high rated risk areas had been identified as cross cutting and the Head of Internal Audit indicated that this was because several areas such as Procurement cut across all Service areas.

Mr Poynton was asked if there were any areas not covered in the Plan and he responded that he did not think so as it was a very comprehensive Plan and there was nothing he was worried about.

Reference was made to the Housing Benefit Subsidy Claim and the Head of Internal Audit indicated that her team was not involved in that because otherwise that would duplicate External Audit's work.

The Chairman queried if team resources were at the right level to carry out the necessary workload and the Head of Internal Audit responded that the team was currently carrying a full time vacancy which had impacted on service delivery but once fully staffed again this would give a minimum level to provide the Service.

RESOLVED

That the Annual Internal Audit Plan 2019/20 be approved.

9. CORPORATE FRAUD BUSINESS PLAN 2019-20

The Cabinet Member for Resources introduced the report which set out the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. It was noted that the Plan set out the desired outcomes and management processes aligned to the Council's strategic objectives to provide value for money by identifying any fraud and error across all the Council's activities.

The Head of Internal Audit reported that this was a high level document setting out the Council's zero tolerance approach to fraud and the fact that there were 3.3 FTE in the Corporate Fraud Team who covered work across Waveney and Suffolk Coastal. Their work included financial investigations and worked closely with external agencies to prevent fraud. In addition, there was a confidential telephone fraud "hotline".

The Committee's attention was drawn to the following five Fraud and Corruption Principles:

- There is always going to be fraud
- Finding fraud is a good outcome
- There is no one solution
- Fraud and corruption are ever changing
- Prevention is the most effective way to address fraud and corruption

The Head of Internal Audit reported that the Strategy followed national best practice and the workstreams for 2019-20 demonstrated how the Council planned to acknowledge, prevent and pursue fraud and corruption. She also referred to the type of corporate fraud investigations undertaken, pointing out that a lot of work took place behind the scenes. She added that she would submit a report to the Committee in the summer about the work being undertaken.

RESOLVED

That the Corporate Fraud Business Plan 2019-20 be endorsed.

10. INTERNAL AUDIT REPORTS RECENTLY ISSUED (OPEN)

The Cabinet Member for Resources introduced the report which gave details of recently issued reports in relation to the following:

Payroll 2018/19

The Committee was reminded that Payroll was the greatest expenditure for the Authority, amounting to £9.9m per year. The contract to run the Payroll Service had been outsourced to Suffolk County Council since 1 December 2017 but had been extended to 30 November 2019.

The Head of Internal Audit reported that the overall assurance level of Effective had been given for the 2018/19 Payroll audit on the basis of the control framework in place and supporting risk management. It was noted that testing had identified that all previous audit actions had been completed.

Homelessness Prevention Grants 2018/19

The Committee was reminded that the Homelessness Reduction Act 2017 came into effect from April 2018 and placed increased responsibilities on Local Authorities to intervene to prevent homelessness and was intended to refocus activity on prevention. The Government had provided funding of £61m over two years to cover the increased costs of meeting the new duties and Waveney had received approximately £97,000 Homelessness Prevention grant funding from DCLG in 2018/19.

The Head of Internal Audit reported that the overall assurance of Effective had been made on the basis of the control framework in place and supporting risk management. The audit did not identify any significant control weaknesses.

The point was made that it was clear to see that the number of homeless was increasing and clarification was sought on how this was being tackled and if people were aware that they could apply for a grant. The Head of Internal Audit indicated that she would ask Officers to respond to the Member direct in relation to this query. The Member acknowledged that not all homeless people wanted to get off the streets so it was unlikely that there would ever be a point that there was zero homelessness.

The Chairman thanked the Officers and stated that these were good audit results. He added that the new report format was much more readable and understandable.

RESOLVED

1. That the Head of Internal Audit's report containing the two (open) recently issued reports be noted.
2. That the Head of Internal Audit ask the Strategic Director and Head of Housing to contact the relevant Member direct on what communication was in place to inform homeless people on how they could apply for grants.

11. EXEMPT/CONFIDENTIAL ITEMS

RESOLVED

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

12. INTERNAL CONTROLS – STATUS UPDATE – CONTRACTS, ASSET MANAGEMENT AND HEALTH & SAFETY RECORDS WITH PARTNERS – FINAL UPDATE

The Committee was reminded that they had received an update at their last two meetings in relation to progress against the above overdue audit recommendations and they noted the Head of Operations' report giving a final update.

RESOLVED

That the Head of Operations' report and action plans be noted.

13. INTERNAL AUDIT: STATUS OF RECOMMENDATIONS

The Cabinet Member for Resources introduced the report which listed the status of all recommendations that had been made as a result of Internal Audit reviews over the past three years, providing an overview of the number of recommendations that had been completed, those that were pending.

RESOLVED

That the report be noted.

14. INTERNAL AUDIT REPORTS RECENTLY ISSUED (CONFIDENTIAL)

The Cabinet Member for Resources introduced the report which gave details of a recently issued Internal Audit Report in relation to IDOX/Uniform (Planning and Development Control) 2018/19.

RESOLVED

That the Head of Internal Audit's report containing the recently issued report be noted.

15. MINUTES

RESOLVED

That the Exempt Minutes of the last meeting (Part Two) held on 17 January 2019 be confirmed as a correct record and signed by the Chairman.

On behalf of the Committee, the Chairman thanked Officers, particularly the Head of Internal Audit, for all the support provided to Committee Members past and present.

The meeting was concluded at 7.35pm.

Chairman