

Confirmed



Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, on **Monday, 14 March 2022 at 6:30 PM**

Members of the Committee present:

Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Mick Richardson, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

Other Members present:

Councillor Edward Back, Councillor Peter Byatt

Officers present: Stephen Baker (Chief Executive), Damilola Bastos (Finance Planning Manager), Chris Bing (Head of Legal and Democratic Services), Kerry Blair (Head of Operations), Laura Fuller (Audit Manager), Andrew Jarvis (Strategic Director), Matt Makin (Democratic Services Officer), Siobhan Martin (Head of Internal Audit Services), Brian Mew (Chief Finance Officer & Section 151 Officer), Shelia Mills-James (Corporate Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer), Alli Stone (Democratic Services Officer)

Others present: Debbie Hanson (Ernst & Young LLP)

1 Apologies for Absence

Apologies for Absence were received from Councillor Tess Gandy, Councillor Peter Byatt attended as substitute.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 13 December 2021 be agreed as a correct record and signed by the Chairman.

4 Provisional Audit Results Report 2020/21 and Updated Statement of Accounts 2020/21

The Committee received report **ES/1086** of Councillor Edward Back, the Assistant Cabinet Member for Resources, who explained that the Comptroller and Auditor General's Code of Audit Practice required Ernst and 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 2020/21 was ongoing, pending Engagement Partner review. It was noted that to date no corrected or uncorrected differences had been identified, there were a small number of minor disclosure differences which management had agreed to amend in the final set of accounts. Councillor Back invited Ms Debbie Hanson, Associate Partner at Ernst & Young LLP to provide further detail.

Ms Hanson confirmed that the audit work was largely complete. There was one area of concern relating to potential non-compliance with the rent standard which would impact on the timetable for the completion of the audit. The impact of this area on the annual audit report which replaces the value for money assessment was now being considered. Ms Hanson confirmed that EY would need to consider whether the current disclosure in the Statement of Accounts as a contingent liability was appropriate or whether the Council had the necessary information to include provision for the potential liability in relation to this item.

Ms Hanson confirmed that the matter had been discussed with officers, and EY were of the view that in 2021 there were weaknesses in the governance arrangements in this area and therefore EY would need to report by exception in the final audit report. It was noted that Ms Hanson's team were engaging with the forensic team at EY to assess this issue, and there would be a delay to conclusion of the audit whilst the Council and EY undertook reviews into this matter.

In regard to the rest of the audit, Ms Hanson confirmed that EY would not be in the position to release the audit certificate at the same time as the audit opinion as the National Audit Office had not yet issued instructions. Although the Council was expected to be under the threshold for any further procedures to be taken, until the instructions were issued this could not be confirmed. Ms Hanson stated that every local authority was currently in this position and instructions were expected in July.

Ms Hanson drew the Committee's attention to Appendix D which highlighted outstanding matters and summarised the risk areas, which included an area related to Covid grants. Overall key risk areas were in a positive position.

Ms Hanson confirmed that going concern work was still to be completed, and this would be done when the final sign off date was clear.

Ms Hanson confirmed that the additional costs relating to issues around the rent standard and value for money conclusion had not been included in this report.

The Chairman invited questions.

The Chairman asked whether there would be an extension for the completion of the accounts as in previous years. Ms Hanson confirmed that a timetable for completion would need to be agreed and that the conclusion was expected for late April or early May.

Following a question on the provisional costs associated with the additional work required around the rent standard, Ms Hanson confirmed that costs were not clear at this stage as the scope of work still needed confirming. As soon as an estimate could be produced it would be shared with management.

There being no further questions, on the proposal of Councillor Cloke and seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That the Committee:

1. Note the external auditors' findings within the Provisional Audit Results Report 2020/21.
2. Note the updated Statement of Accounts for 2020/21.
3. Delegate approval for final sign-off and publication of the 2020/21 audited statement of accounts is to the Chairman of the Audit & Governance Committee, Councillor Geoff Lynch, and the Chief Finance Officer and S151 Officer, Brian Mew, subject to no material errors being found.
4. Receive a copy of the final Audit Report for 2020/21 at the Committee's next meeting.

5 Annual Governance Statement 2020/21

The Committee received report ES/1087 of Councillor Maurice Cook, Cabinet Member with responsibility for Resources. The Assistant Cabinet Member for Resources, Councillor Back, introduced the report which had originally been received in June 2021 but had been updated in respect of a significant governance issue relating to housing regulation.

The Chief Finance Officer explained that the Committee would not normally receive the Annual Governance Statement for a second time, but it was felt necessary to bring back to the Committee due to the governance issue that had been identified. The actions taken concerning the issue would also have an impact on EY's Annual Audit Report.

The Chairman invited questions.

Councillor Coulam asked whether the issue would be resolved before the Committee's next meeting and whether an extraordinary meeting of the Committee might be needed to resolve the issue. The Chief Finance Officer stated that the timeline for the outcomes of this work would be confirmed when EY had produced their Annual Audit Report. The timescale was currently envisioned to be around two months, and an extraordinary meeting might be appropriate.

In response to a question from Councillor Byatt on whistleblowing cases, the Head of Internal Audit confirmed that there had been no cases in 2019/2020 or 2020/2021.

The Chairman asked how the changes with regards to housing regulation would impact the work of officers and whether there were enough resources in place. The Strategic Director confirmed that the main implications were within the housing service. External consultants had been engaged to provide extra resource in the short term, and they were well underway with the work required.

RESOLVED

That the final Annual Governance Statement for 2020/21 (1 April 2020 to 31 March 2021) be approved and the update in relation to Housing regulation is noted.

6 Measures to improve local audit delays

The Committee received report **ES/1079** of Councillor Edward Back, the Assistant Cabinet Member for Resources.

Councillor Back introduced the report which was to update members on national measures to reduce delays in external audit work. Although the Council had met all publication deadlines for its draft Statement of Accounts, the deadline for final audited accounts had not been met for either 2019/2020 or 2020/21. This was an issue for the majority of local authorities, and as a result an independent review of local audit had been carried out by Central Government. The 'Redmond Review' was published in September 2020 and outlined three key issues with the current system. Following this review, all Local Government Chief Executives and Section 151 Officers had received two letters from the Department for Levelling Up, Housing and Communities, the first had asked Local Authorities to assist in getting outstanding audits cleared and the second had provided an update on the action the government wished to take to tackle future delays.

The Chief Finance Officer confirmed that the Council had also responded to a further consultation and that work was also being carried out by the East of England Local Government Association on this and other improvements to local government audit.

Ms Debbie Hanson confirmed that Ernst & Young had also responded to further consultation stating that the measures the government were proposing should be introduced over a two year period. EY felt that it was appropriate to pause the requirement for two years rather to help reduce workload and audit timeframes. There was a need to ensure consistency, and to ensure that already commissioned work was not wasted.

The Chairman asked whether the Committee could do anything to lobby around these delays. The Chief Finance Officer confirmed that the consultation had closed, and the Council had submitted its response. Decisions would need to be taken quickly on the standards for future audits. The Chairman asked that information on any changes proposed be reported back to the Committee.

Councillor Byatt referred to the letter dated 18 January 2022 which mentioned additional funding and asked when the Council would receive this and what would it be for. The Chief Financial Officer confirmed that the Council had received no further detail on this funding at present.

There being no further questions, on the proposal of Councillor Coulam and seconded by Councillor Richardson, it was by a unanimous vote

RESOLVED

1. That the key measures committed to by the Department of Levelling up, Communities and Housing to reduce future audit delays be noted.
2. That the proposals to the changes in the Code of Practice on Local Authority Accounting in the UK for 2021/22 and 2022/23, and the consultation response returned to CIPFA on this from the Chief Finance Officer (Paragraph 3.3), be noted.

7 Changes to the Financial Procedure Rules

The Committee received report **ES/1088** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, who introduced the report. The financial procedure rules had been reviewed on the creation of the Council in 2019. Since this review the CIPFA Financial Management Code had been published and the Councils level of activity across a variety of areas had increased. It was therefore considered appropriate to review the Financial Procedure Rules in light of these changes.

The Chief Finance Officer summarised the three main areas in need of change which were Revenue Budget Monitoring, Capital Programme Monitoring and the principals for monitoring and transacting with the Council's companies. The proposed changes would also be considered by Cabinet and Full Council. It was also noted that the Constitution contained rules around procurement, and if changes were needed in this area an additional report would be bought to the Committee.

The Chairman invited questions.

In relation to a question from the Vice Chairman concerning cyber-attacks, the Chief Executive confirmed that this was a high priority for the Council, and that reviews of IT infrastructure had recently taken place as recommended by Central Government and the LGA.

Councillor Byatt referred to the threshold for key decisions by the Cabinet, which was currently £250,000 and asked whether this should be increased due to inflation. He also asked if any further reports would be received by the Committee following the creation of the LATCo. The Chief Finance Officer confirmed that spending with the LATCo would be considered as part of the set-up process for the company. With regards to the key decision threshold, there had been considerable debate on this when the Council had been set up and if changes were required it would be discussed by Full Council and Cabinet.

The Chairman highlighted points on budget holder responsibilities and purchase order controls. A report on these issues was due to be received by the Committee.

There being no further questions, on the proposal of Councillor Cooper, seconded by Councillor Richardson and by a unanimous vote it was

RESOLVED

That having reviewed and commented upon the proposed changes to the Financial Procedure Rules, the Committee recommended them to Full Council for approval.

8 Proposed Changes to The Council Procedure Rules in the Constitution

The Committee received report **ES/1089** of the Leader of the Council. The Head of Legal and Democratic Services introduced the report which aimed to address a number of procedural issues which had arisen at Full Council and provide additional detail on areas which Democratic Services were frequently asked about. In order to ensure consistency on how motions and questions were received and managed, it was proposed that templates and word limits be introduced for both questions and motions. This would also ensure that the purpose of questions and motions were clear, and debate could be followed by the public.

The Head of Legal and Democratic Services confirmed that the Constitution required a procedural debate ahead of the substantive debate in order to determine the most appropriate place for a motion to be heard. The Constitution stated that group leaders should meet ahead of Full Council to discuss this matter, but this had not happened thus far. It was felt that if this meeting could be introduced and group leaders could come to a consensus on where motions should be debated this would ensure better use of time at Full Council meetings.

It was also proposed that flow charts be introduced into the Constitution to make the process for motions clearer for members, officers and the public, and that the reading aloud of questions and motions be introduced into the procedure rules. This had been introduced during the Covid pandemic and was felt to aid openness and transparency.

Lastly it was proposed that the Committee Procedure Rules concerning the recording of votes be amended to bring them in line with the Council Procedure Rules.

The Chairman invited questions.

Councillor Byatt stated that there had often been confusion around motions and asked if appendices containing the background information for motions could be introduced to ensure all information was available whilst keeping the main motion shorter. The Head of Legal and Democratic Services responded that motions should be calls to action and if appendices were added in there was a danger that motions would become reports which had not been scoped by officers.

The Chairman commented that all members should be able to ask questions, and that members had adapted well to changes which had been made necessary due to Covid. He felt that the suggested amendments were a good starting point for confirming some of these changes, and asked that this be reviewed in a year's time, at the end of this Council's term, as changes to the format of meetings were still ongoing.

It was agreed that an additional recommendation be added to ensure that the Council Procedure Rules would be reviewed in 2023 at the start of the new Council term.

There being no further questions, on the proposal of Councillor Cloke and seconded by Councillor Richardson it was by a unanimous vote

RESOLVED

1. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to amend the Council Procedure Rules in the Constitution:
 - a. To require members to submit their questions to Democratic Services on the Question template form and to limit member's written questions to no more than 100 words
 - b. To require members to submit their motions to Democratic Services on the Motions template form and to limit member's written motions to no more than 250 words
 - c. To incorporate Appendices B, C, D and E of this report into East Suffolk Council's Constitution
2. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to convene a meeting of the Chairman and the group leaders to discuss, and seek to agree, the venue for each submitted motion for Council after the deadline for motions to be submitted for Full Council has passed and before the date of the meeting of Full Council, pursuant to CPR 11.4.
3. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to incorporate the motions and report flowcharts (Appendices C and D) into the Council Procedure Rules in the Constitution.
4. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to amend the Council Procedure Rules to require members to read their questions and motions out aloud at Full Council.
5. That the Audit and Governance Committee recommend that Full Council instruct the Monitoring Officer to amend paragraph 11 of the Committee Procedure Rules to require that at least half the members of a committee present need to request a recorded vote for there to be a recorded vote.
6. That the Audit and Governance Committee review the changes to the Council Procedure Rules at the start of the new Council term in 2023.

9 Adoption of LGA Model Code of Conduct for Councillors

The Committee received report **ES/1085** of the Leader of the Council. The Head of Legal and Democratic Services introduced the report which sought to adopt the Local Government Association's (LGA's) new model Code of Conduct for Councillors, replacing the existing code which had been in place for ten years.

The Head of Legal and Democratic Services stated that the new code provided more guidance and direction for members and would assist Monitoring Officers in

determining complaints made against members. All monitoring officers in Suffolk were in the process of considering this code, and the same code would be used at all levels of local government providing consistency for members who were double- or triple-hatters.

The Head of Legal and Democratic Services summarised the main changes. The code did not change sanctions available, as this would require a change in legislation, but would help provide clarity around use of social media, and expanded on acceptable behaviour toward elected representatives and officers including issues around equality. Non-pecuniary interests would be divided into two categories of 'other registerable interests' and 'non-registerable interests' to provide further clarity for members, officers and the public on interests and to capture a wider range of interests which directly related to a councillor's 'financial interest or wellbeing'.

The Chairman invited questions.

The Vice Chairman stated that more thought was needed from Central Government on sanctions and punishments as it was felt that the current sanctions did not carry enough weight.

Councillor Byatt stated that it was helpful for councillors to have more guidance in all areas, and asked that members encourage parish and town councils to adopt the code.

The Chairman asked for clarification on what pressure town and parish councils would be under to adopt the code. The Head of Legal and Democratic Services confirmed that the Suffolk Association of Local Councils were recommending the adoption of the code, as were Monitoring Officers across Suffolk. However, it was ultimately a decision for parish and town councils to take.

The Vice Chairman asked what would happen where a complaint was received about a parish councillor whose parish had not adopted the new code. The Head of Legal and Democratic Services confirmed that parish and town councils could either continue with the current code or adopt the new code, and any complaints would be determined against the code they had adopted.

Following a question from Councillor Coulam on whether the code could be made mandatory for parish and town councils, the Head of Legal and Democratic Services confirmed that it could not.

The Chairman asked that a copy of the code be sent to all members, and for all councillors to encourage town and parish councils within their ward to consider adopting the new code.

There being no further questions, on the proposal of Councillor Cooper seconded by Councillor Coulam, it was by a majority vote

RESOLVED

That the LGA Model Code of Conduct is adopted with effect from 1 May 2022.

The Committee received report **ES/1079** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources.

The Head of Internal Audit introduced the report and reminded the Committee that this was a living document and that resources were diverted as appropriate, as had been done in the last few years due to concerns around fraud arising from the Covid pandemic. A dedicated resource was also available as part of the audit service to consider issues which had been raised by the Committee.

The Head of Internal Audit highlighted the diagram detailing the current structure of the Internal Audit Service in appendix A and confirmed that additional resource would be recruited to the audit team, and that the vacancy for an IT Auditor would also be recruited shortly and solely employed by East Suffolk Council.

Going forward, emphasis would be placed on housing services following the issues which had been raised under items four and five of the meeting.

The Chairman commented that he was pleased an additional staff member was being employed and that the team's capacity was being increased in light of more Council services being bought in house. If the internal audit was correct, overall costs to the Council could be brought down. The Chairman thanked the internal audit team for their hard work.

There being no further questions, on the proposal of Councillor Coulam and seconded by Councillor Cooper it was by a unanimous vote

RESOLVED

That the Annual Internal Audit Plan 2022/23 be reviewed and approved.

11 Corporate Anti-Fraud Business Plan 2022/23

The Committee received report **ES/1083** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources who introduced the report which provided a strategic overview of the planned corporate anti-fraud work to be undertaken by the Council during 2022/23 and ensured that the Members of the Committee discharged their duties and responsibilities in accordance with the Committee's terms of reference.

The Head of Internal Audit reminded the Committee that the Council had a fraud and whistleblowing hotline, and a dedicated in-house fraud service which worked with other agencies. Another position would be introduced into this team in due course.

The Head of Internal Audit highlighted the principals of the anti-fraud business plan and the areas covered by the fraud team, including cyber, housing and tenancy fraud. The report also covered the fraud landscape post pandemic and how the fraud teams activities had training had been adapted.

The Chairman invited questions.

The Vice Chairman referred to point 2.3 of Appendix A, and asked if the rise in fraud in these areas was peculiar to this Council. The Head of Internal Audit confirmed that this was a national issue, and that the fraud and audit teams would be considering these areas in the next year as part of their work to ensure the Council was prepared.

In response to a question from the Vice Chairman regarding blue badge fraud, the Head of Internal Audit confirmed that badges were issued by Suffolk County Council but that this Council was impacted as it managed car parks. This area was due to be investigated later in the year.

Councillor Byatt asked whether the fraud team had enough resource, especially in light of the rise in fraud around Covid. The Head of Internal Audit confirmed that the staffing resource for this team would be scoped out and reported to the Committee in due course. Whilst staff numbers were important, skill set was also important and needed to be taken into consideration.

In response to a question from Councillor Cloke on fraud relating to right to buy, the Head of Internal Audit confirmed that there had been a national rise in invalid and inaccurate application since the law change. The Council did have checks in place to ensure that all the relevant evidence included in applications was present and accurate. There were occasions where information was not genuine, and a report would be received by the Committee later in the year detailing where suspicious applications had been withdrawn. The Council would prosecute in the case of fraud relating to right to buy or tenancies.

The Chairman thanked the team for their work and suggested that an apprentice position might be appropriate for this team. The Head of Internal Audit confirmed that this was being considered.

There being no further questions, on the proposal of Councillor Cloke, seconded by Councillor Richardson and by a unanimous vote it was

RESOLVED

That the Corporate Anti-Fraud Business Plan 2022-23, having been commented upon, be endorsed by the Committee.

12 Internal Audit Reports Recently Issued

The Committee received report **ES/1080** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources. The Head of Internal Audit introduced the report. One internal audit report was attached and a reasonable audit opinion had been issued.

Councillor Byatt asked why grants in this area from Suffolk County Council had been delayed. The Head of Internal Audit confirmed that no explanation had been given so far, but as soon as more information was available it would be shared with the Committee.

There being no further questions, on the proposal of Councillor Coulam, seconded by Councillor Cloke and on a unanimous vote it was

RESOLVED

That the Disabled Facilities Grant Certification 20/21 report, having been commented upon, be noted.

13 Internal Audit Charter

The Committee received report **ES/1084** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources. Councillor Back introduced the report and stated that the existing Internal Audit Charter had last been reviewed in 2020 and had now been reviewed to ensure it remained compliant with the Public Sector Internal Auditor Standards (PSIAS) 2017, local requirements and the needs of the organisation.

The Head of Internal Audit confirmed that there had been no amendments to the Charter and reminded the Committee of the headings of the Charter including the need for independence and the code of standards and ethics.

The Chairman commented that the lack of changes demonstrated the good work of the internal audit team and thanked them for their work.

On the proposal of Councillor Thompson, seconded by Councillor Coulam it was by a unanimous vote

RESOLVED

That the refreshed Internal Audit Charter, attached at Appendix A, is approved.

14 Audit and Governance Committee's Draft Work Programme 2022-23

The Chairman introduced the draft work programme for 2022/2023.

In addition to the items already detailed on the work programme, Councillor Gandy had submitted a motion to Full Council in January 2022 which the Committee had been asked to examine.

Councillor Byatt summarised the motion which had asked the Council to support the 'Councils for Fair Tax' declaration which would require the Council to communicate expectations of good practise in tax conduct across its activities and support calls for reform of UK law to enable local authorities to penalise poor tax conduct and reward good tax conduct through the procurement process.

It was agreed that this item would be considered at the Committee's September meeting.

The Chairman informed the Committee that it might be necessary to have an extraordinary Committee meeting to address the housing regulation issues discussed earlier in the meeting.

The Chairman reminded the Committee members that they could bring any matters forward for discussion by the Committee.

15 Exempt/Confidential Items

On the proposition of Councillor Cooper and, seconded by Councillor Coulam 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.

16 Exempt Minutes

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

17 Update on contracts and procurement

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

18 Internal Audit Status of Actions

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

19 Internal Audit Reports Recently Issued

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

The meeting concluded at 9.18pm.

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Chairman