

**Confirmed**



Minutes of a Meeting of the **Audit and Governance Committee** held in the Conference Room, Riverside, Lowestoft, on **Monday, 25 July 2022 at 6.30pm**

**Members of the Committee present:**

Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Ed Thompson

**Other Members present:**

Councillor Edward Back, Councillor Peter Byatt, Councillor Maurice Cook

**Officers present:**

Sarah Davis (Democratic Services Officer (Scrutiny and Member Development)), Laura Fuller (Audit Manager), Matt Makin (Democratic Services Officer (Regulatory)), Siobhan Martin (Head of Internal Audit), Marie McKissock (Finance Compliance Manager), Brian Mew (Chief Finance Officer & Section 151 Officer), Sheila Mills-James (Corporate Counter Fraud Manager), Lorraine Rogers (Deputy Chief Finance Officer), Sarah Thacker (Information Governance Officer)

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**1 Apologies for Absence and Substitutions**

Apologies were received from Councillor Louise Gooch and Councillor Peter Byatt attended the meeting as her substitute.

**2 Declarations of Interest**

No declarations of interest were made.

**3 Minutes - 14 March 2022**

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

**RESOLVED**

That the Minutes of the Meeting held on 14 March 2022 be agreed as a correct record and signed by the Chairman.

**4 Minutes - 16 May 2022**

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

## **RESOLVED**

That the Minutes of the Extraordinary Meeting held on 16 May 2022 be agreed as a correct record and signed by the Chairman.

### **5 Draft Statement of Accounts 2021/22**

The Committee received report **ES/1238** of Councillor Maurice Cook, the Cabinet Member with responsibility for Resources, which related to the Draft Statement of Accounts for the 2021/22 financial year.

Councillor Cook introduced the report and highlighted notes 16 and 17 of the Draft Statement, which related to Heritage Assets and Intangible Assets. Councillor Cook explained that these amounts had previously been immaterial and outlined the reason for their inclusion in the Draft Statement of Accounts.

Councillor Cook noted the significant level of detail in the Draft Statement of Accounts, thanking officers for their hard work, and invited the Chief Finance Officer to comment on the report.

The Chief Finance Officer advised that EY, the Council's external auditors, were close to completing the audit of the 2020/21 accounts. The completion of the audit had been delayed due to the identified issue with housing rent and services charges and how this as a compliance issue feeds into the audit report. The Chief Finance Officer stated that it was unlikely that provision in the accounts would be needed for the rectification of this issue as the figures would fall below materiality values and it was more likely to be noted as an adjustment item. The Chief Finance Officer expected that the final 2020/21 accounts would be presented at the Committee's next meeting.

The Committee was informed that the Council's designated audit manager at EY would be leaving at the end of July 2022 and was being replaced by a senior manager at the company. EY's audit of the 2021/22 accounts was scheduled to begin in December 2022 and the Chief Finance Officer confirmed that preliminary work had already begun to prepare for this audit.

The Chairman invited questions and comments.

Councillor Cooper noted the state of rent arrears on 31 March 2022 and asked what was being done to reduce this amount, bearing in mind the current cost of living crisis. The Chief Finance Officer said that he had attempted to obtain further information on rent arrears earlier that day but due to officer leave had been unable to do so; he advised that he was aware that the Council's Housing team was looking to improve the rent arrears situation and he would be able to circulate detailed information on this subject to the Committee outside of this meeting. The Chief Finance Officer confirmed that the figure in the Draft Statement of Accounts was an accumulated year-end position, as opposed to an in-year figure.

Councillor Byatt raised a query on the net loss of eight properties from the Council's housing stock and asked what this represented in terms of asset value. The Chief Finance Officer said he would be able to supply the values outside of the meeting and highlighted that the capital receipts in the Housing Revenue Account (HRA) section of the Draft Statement detailed the amount the properties had been sold for. The Chief Finance Officer added that the current housing regime allows local authorities to reinvest these capital receipts in the acquisition of new housing stock.

The Chief Finance Officer said he was not aware of any specific funding to the Council as a result of Lowestoft being one of only six locations in England that had been designated as a Centre of Offshore Renewable Engineering (CORE) status by the Government but could follow up on this, noting that the Council retained 100% of the business rates from the related onshore facilities.

The Chief Finance Officer confirmed that a list of surplus assets was published on the Council's website and said he would circulate this link to members of the Committee.

The Finance Compliance Manager advised that she would circulate detailed information on ICT income generation to members of the Committee.

In response to a question from Councillor Coulam, the Chief Finance Officer confirmed that an initial provision of £1,240,000 had been made in the 2021/22 accounts to address the identified issue with housing rent and services charges and this was covered in more detail in the Draft Annual Governance Statement for the 2021/22 financial year, which was to be considered by the Committee later in the meeting.

The Chief Finance Officer, responding to a question on the reserve for private sector housing condition survey and improvements, advised that he would seek further information from the Private Sector Housing team on funding this working in the future.

The Chief Finance Officer confirmed that there had been no transfers out from the hardship reserve fund as no applications had been received; he undertook to provide more information on this and for officers to consider alternative uses for this reserve should there be less requirement in respect of its original purpose.

The Chief Finance Officer explained that the discrepancy between council tax and business rate write-offs was related to the significant support for business rates received during the COVID-19 pandemic, which had reduced the amount of business rates that had needed to be collected from businesses during the previous two years.

The Chairman noted the substantially increased amount of money received by the Council in the form of COVID-19 support and asked how the Finance team had coped with this. The Chief Finance Officer considered that the Council had coped well and highlighted that the work of receiving and distributing COVID-19 grants had been shared by multiple departments across the authority, particularly the work of Internal Audit in completing pre and post checks. The Chief Finance Officer was of the view that his own team had fared well and complimented the work of the Financial Compliance team, noting that the extra funding had made drafting the Statement of Accounts more complex.

There being no further questions or comments the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cooper, seconded by Councillor Cloke it was by a unanimous vote

## **RESOLVED**

That the Draft Statement of Accounts for 2021/22 be noted.

## **6 Draft Annual Governance Statement 2021/22**

The Committee received report **ES/1240** of Councillor Maurice Cook, the Cabinet Member with responsibility for Resources and Councillor Edward Back, the Assistant Cabinet Member for Resources, which related to the Draft Annual Governance Statement for the 2021/22 financial year.

Councillor Cook introduced the report and set out the purpose of the Annual Governance Statement and the reason that a 'reasonable' assurance had been given by the Council's Head of Internal Audit. Councillor Cook highlighted the significant governance issues set out in section 5 of the Annual Governance Statement.

The Committee was advised that the final version of the Annual Governance Statement would be presented to it later in 2022.

The Chairman invited questions and comments and stated that he was pleased to see that the contract register was now closed, as this was a piece of work the Committee had been pursuing for some time. The Chairman confirmed that the Committee would review the contract register in the future to ensure it remained correct and wanted to see the procurement register completed by September 2022, with a view to also review this in the future.

Councillor Cooper was assured by the Chief Finance Officer that appropriate funding was being sought in relation to the development of Sizewell C, noting that the Secretary of State for Levelling Up, Housing and Communities had recently approved the Development Consent Order.

In response to a question from Councillor Byatt, the Chief Finance Officer stated he would provide detailed information on the cost of FOI requests to the Council outside of the meeting.

The Chief Finance Officer confirmed the reference to tender compliance related to the commissioning of work from any Local Authority Trading Company (LATCO) created, that would not require a tender process.

Councillor Coulam expressed disappointment that members of the Procurement Task and Finish Group had not received any further updates on the procurement strategy following the completion of its work. The Chief Finance Officer confirmed he would feed this back to the relevant officers and advised that the procurement strategy was scheduled to be considered by the Cabinet at its meeting in September 2022.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cloke, seconded by Councillor Coulam it was by a unanimous vote

## **RESOLVED**

That the draft Annual Governance Statement for 2021/22 (1 April 2021 to 31 March 2022) be approved prior to final sign-off with the audited Statement of Accounts.

### **7 Treasury Management 2022/23 Quarter 1 Report**

The Committee received report **ES/1239** of Councillor Edward Back, Assistant Cabinet Member for Resources, which provided an update on the Council's treasury management activity for the first quarter of the 2022/23 financial year.

Councillor Back introduced the report and noted the key changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice (the CIPFA Code) made in December 2021 and explained that the Council had adopted a soft implementation of the revised reporting requirements for the 2022/23 financial year, with the revised requirements effective from the 2023/24 financial year.

Councillor Back summarised the figures in the report relating to daily cash management and confirmed that the Council continued to operate its treasury management function within the key principles of security, liquidity and yield; he added that the Council would explore other opportunities in treasury management investments in line with the CIPFA code and that any new borrowing requirements would be evaluated against the most appropriate method of borrowing to ensure that the cost of borrowing was kept to a minimum.

The Chairman invited questions and comments.

Councillor Back confirmed that every possible effort was made to ensure that the Council's investments were ethical and this was corroborated by the Chief Finance Officer, who explained that the vast bulk of the Council's investment portfolio was with other local authorities and that liquidity funds also had an ethical governance dimension. The Chief Finance Officer advised that part of the revised Treasury Management Strategy would concentrate on ethical, environmental and governance issues, highlighting that it was more difficult to assure ethical investments the more steps removed from it.

In response to a question on switching investment funds in future, the Chief Finance Officer stated that the Council was continually reviewing its investment funds and taking appropriate advice and that it was possible that the Council may wish to explore other options in the future. The Committee was advised that a housing association had recently taken out a £5,000,000 loan facility with the Council that was expected to provide a good return and promote positive ethical and social value elements, details of which would appear in the next quarterly report.

The Chief Finance Officer noted that reporting on prudential indicators at this stage on a quarterly basis was currently ahead of the requirements of the revised CIPFA code;

he considered this useful information given the particularly volatile financial environment currently being experienced by the public sector in terms of interest rates.

The Chairman considered it positive that the Council was keeping within the limits set by the Committee and said this would be reviewed closely on a quarterly basis.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Coulam, seconded by Councillor Cooper it was by a unanimous vote

## **RESOLVED**

That the Council's Treasury Management activity for the first quarter of 2022/23 be noted.

### **8 Annual Internal Audit Opinion 2021/22**

The Committee received report **ES/1225** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, which provided the annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2021/22.

Councillor Back introduced the report and explained that the was being presented to the Committee to support and inform Members' review of corporate governance arrangements and in accordance with the Committee's terms of reference as set out in the East Suffolk Council Constitution. Councillor Back invited the Council's Head of Internal Audit to comment on the report.

The Head of Internal Audit reminded the Committee that she and her team worked as an independent and objective service and were Public Sector Internal Audit Standard compliant. The Head of Internal Audit confirmed she had been able to give a 'reasonable' assurance of the Council's corporate governance arrangements based on the coverage of her team's work, relating this to the Draft Annual Governance Statement received by the Committee earlier in the meeting.

The Head of Internal Audit said it was only possible to give a 'reasonable' assurance as her team had not been able to cover the audit plan in full, having had to defer some work to respond to the ongoing COVID-19 pandemic and the additional work it had generated for the Internal Audit service. The Head of Internal Audit confirmed to the Committee that she had been able to provide her assurance based on what had been reviewed and that all identified issues were being addressed by senior management, noting their inclusion in the Draft Annual Governance Statement.

The Head of Internal Audit reported that managers across the Council had been proactively seeking advice and guidance from Internal Audit, who had been able to provide guidance on a consultancy basis.

The Head of Internal Audit highlighted that her team was small and cost-effective and that two vacant posts were currently being recruited to. The team had also been expanded by one additional position earlier in 2022 with the support of the Committee and the Chief Executive.

The Chairman invited questions and comments.

The Head of Internal Audit was able to confirm that she would be issuing her assurance opinion on key financial controls imminently, with this likely to be 'reasonable'.

The Head of Internal Audit clarified that the terms 'reasonable' and 'adequate' were interchangeable and outlined the differences in language used by partner authorities when auditing the services provided by the Anglia Revenue Partnership (ARP).

The Head of Internal Audit summarised her statutory duty to provide an Internal Audit Opinion and noted that an outstanding area of concern remained the lack of a procurement strategy for the Council; this remained an outstanding action until the strategy's scheduled consideration by the Cabinet at its meeting of September 2022.

In response to a question on resourcing and capacity, the Head of Internal Audit confirmed that her team that outstanding audit work would be undertaken.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Coulam, seconded by Councillor Cloke it was by a unanimous vote

#### **RESOLVED**

That the Head of Internal Audit's Annual Opinion Report for 2021/22 be noted.

### **9 Corporate Fraud Annual Report 2021/22**

The Committee received report **ES/1237** of Councillor Maurice Cook, Cabinet Member with responsibility for Resources, Councillor Kerry, Cabinet Member with responsibility for Housing and Councillor Edward Back, Assistant Cabinet Member for Resources.

Councillor Back introduced the report, which provided a summary of the performance of the Council's Corporate Fraud Service for the 2021/22 financial year. Councillor Back congratulated the team for its hard work and advised the Committee that it had saved the Council £2,163,007.01 in 2021/22, which was approximately ten times the cost to operate the team. Councillor Back considered this to be excellent value for money and invited the Head of Internal Audit to comment on the report.

The Head of Internal Audit expressed pride in the outcomes achieved by the Corporate Fraud Service under the leadership of the Corporate Counter Fraud Manager, advising that when responsibility for housing benefits transferred to the Department for Work and Pensions in 2015, unlike most councils the Council's predecessor authorities had been able to retain a small, dedicated and highly trained counter fraud team, which had enabled this Council to achieve the results set out in the report.

The Head of Internal Audit highlighted the significant additional work taken on by the team relating to COVID-19 grants, which had been on top of their day-to-day tasks such as the due diligence checks on Right to Buy applications. The Head of Internal Audit highlighted the notional value figure of £93,000 in the report was based upon national indicators from 2017 and the real figure was likely to be higher.

The Committee was informed that the Corporate Fraud Service was linked with national and international agencies in terms of intelligence sharing and was accredited with the National Crime Agency, demonstrating the skill set within the team.

The Head of Internal Audit summarised the breakdown of savings achieved by the Corporate Fraud Service, as set out in the report.

The Chairman invited questions and comments.

The Head of Internal Audit confirmed that there had been no instances in the last year where the Council had prosecuted individuals in relation to Right to Buy fraud and stated that should it be required the Council would do so. The Head of Internal Audit noted she held the same role for another local authority in Suffolk which had prosecuted an individual for Right to Buy fraud, which had resulted in a custodial sentence.

In response to a question from Councillor Byatt, the Head of Internal Audit confirmed that communication on Right to Buy fraud statistics had been placed in the Council's magazine to tenants in the past and this would be repeated. The Head of Internal Audit outlined that the savings made by the Corporate Fraud team related to retention and repayment of funds and assets rather than income.

Councillor Thompson queried if the team was sufficiently resourced; the Head of Internal Audit said that this issue had been discussed with Councillor Cook and the Chief Executive and the team was looking to access funding to provide a corporate fraud apprenticeship through a scheme operated by CIPFA. The Chairman considered this apprenticeship to be a positive idea.

There being no further questions or comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cooper, seconded by Councillor Cloke it was by a unanimous vote

## **RESOLVED**

That the Corporate Fraud Annual Report for 2021/22 be noted.

## **10 Internal Audit Reports Recently Issued**

The Committee received report **ES/1226** of Councillor Cook, Cabinet Member with responsibility for Resources and Councillor Edward Back, Assistant Cabinet Member for Resources, which issued Internal Audit reports to the Committee in accordance with its terms of reference as set out in the East Suffolk Council Constitution.

Councillor Cook introduced the report and highlighted that each Internal Audit report detailed any applicable governance implications. The Committee was advised that there were two Internal Audit reports to receive relating to the Homelessness Prevention Grant Top Up Certifications for both 2021/22 and 2022/23.

The Head of Internal Audit outlined the purpose of the reports and said she was assured that the funding coming through was being certified appropriately.

The Chairman invited questions and comments, noting that the reports showed that a majority of this funding was being spent and proved it was being used properly to reduce homelessness in the district.

There being no further questions and comments, the Chairman sought a proposer and seconder for the recommendation set out in the report. On the proposition of Councillor Cloke, seconded by Councillor Coulam it was by a unanimous vote

#### **RESOLVED**

That the Internal Audit reports for the Homelessness Prevention Grant Top Up Certification 2021/22 and Homelessness Prevention Grant Top Up Revised Certification 2022/23 (relating to the 2021/22 financial year) be noted.

#### **11 Audit and Governance Committee's Forward Work Programme**

The Committee reviewed its Forward Work Programme; no additions were made at this time.

#### **12 Exempt/Confidential Items**

On the proposition of Councillor Cooper, seconded by Councillor Coulam it was by a unanimous vote

#### **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 March 2022**

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

#### **14 Data Protection Status Update**

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

#### **15 Internal Audit: Status of Actions**

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

**16 Internal Audit Reports Recently Issued (Exempt)**

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

The meeting concluded at 8.38pm

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Chairman