

**Confirmed**



Minutes of a Meeting of the **Audit and Governance Committee** held in the **Deben Conference Room** at **East Suffolk House, Riduna Park, Melton** on **Tuesday 12 March 2019** at **6.30pm**

**Members of the Committee present:**

G Lynch (Chairman), A Cooper (Vice-Chairman), J Bidwell, C Block, P Coleman, P Dunnett, C Hedgley, M Jones, P Mulcahy.

**Other Members present:**

S Lawson.

**Officers present:**

K Blair (Head of Operations), M Makin (Democratic Services Business Manager), S Martin (Head of Internal Audit), H Slater (Head of Legal & Democratic Services and Monitoring Officer), S Taylor (Chief Finance Officer and Section 151 Officer).

**Others present:**

T Poynton (Audit Manager, Ernst & Young LLP)

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**1. Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Kelso and Mower. Councillor Block acted as Substitute for Councillor Kelso, and Councillor Jones acted as Substitute for Councillor Mower.

**2. Declarations of Interest**

There were no declarations of interest.

**3. Minutes**

**RESOLVED**

- a) That the Minutes of the Meeting held on 11 December 2018 be confirmed as a correct record and signed by the Chairman.
- b) That the Minutes of the Special Meeting held on 7 March 2019 be confirmed as a correct record and signed by the Chairman.

*The Head of Legal and Democratic Services left the meeting following the conclusion of this item.*

#### 4. Corporate Risk Management Update

The Audit and Governance Committee received report **AG 03/19** of the Cabinet Member with responsibility for Resources. The report provided an overview and update on how the Council's strategic and operational risks were managed. Members were asked to make comment on the corporate strategic risks from the Council's current Corporate Risk Register which was maintained by the Corporate Risk Management Group (CRMG).

Following review by Zurich Municipal and discussions at Audit and Governance Committee in May 2018, the likelihood percentages within the Corporate Risk Management Process and Toolkit had been updated creating a greater variance. Members were asked to note these relevant updates, and to review the key risks on the register at regular intervals, considering corporate risk management when they are planning any future work programmes.

The Committee's attention was drawn to the development and progress in managing risk. A Risk Management e-learning module formed part of the induction process and was mandatory for all new staff to complete within one month of employment. To date 491 Officers and Members had completed the training. Work was underway to review the module to update details in preparation for the implementation of East Suffolk Council.

The Council's insurance providers and advisors, Zurich Insurance Group, delivered Event Management Training in November 2018 which was attended by 44 Officers. 23 Officers also received Risk Management training in January 2019, which had been tailored on the Council's risk management procedures and process.

The Corporate Risks and their risk ratings were outlined to the Committee, as detailed in section six of the report. The main challenges were described as the Medium Term Financial Strategy (MTFS) which had incorporated the delivery of a balanced annual budget and financial governance, partnerships, asset management strategy, the East Suffolk Business Plan, and the creation of East Suffolk Council.

The Chairman invited questions.

A member of the Committee queried how the Corporate Risks were named. The Chief Finance Officer, supporting the Cabinet Member, advised that the CRMG regularly reviewed the register and identified Corporate Risks through that process; the title of the identified risk was formulated at that point to provide a description of the risk.

In response to a question regarding achieving risk rating objectives, the Chief Finance Officer explained that timescales were incorporated into the Corporate Risk Register. He explained that each risk would have its own timescale to achieve 'green' and noted that the risk rating target related to ICT business continuity had been identified as 'amber' by the Head of ICT due to the level of risk, and so was on target.

The Committee was directed to the matrix on page 18 of the report, which demonstrated the likelihood percentage ascribed to each Corporate Risk.

A member of the Committee asked if the risk levels in the report aligned with those of Waveney District Council and would therefore transfer to East Suffolk Council. The Chief Finance Officer

advised that the Corporate Risk Register was a joint register across the two councils and reflected joint risks across both authorities.

The Vice-Chairman highlighted the risk related to welfare reform and asked what assistance was available to help those in rural areas affected by the rollout of Universal Credit. The Committee was informed that a hardship fund had been in place at Waveney District Council since 2012, to provide support for those adversely affected. Both the Customer Services and Housing Tenancy teams were aware of the existence of the fund. To date, it had not been accessed.

The Chief Finance Officer outlined the impact of Universal Credit rollout on rent arrears; in the Waveney area, a trend of arrears spiking and recovering had been identified where Universal Credit had been rolled out. This had not impacted on the District, but would have an impact on East Suffolk Council. He also spoke on the funding provided to Citizens' Advice Bureau (CAB) for terminals and that CAB was now receiving funding from central government to support clients, that had previously been provided to councils.

During discussion on how CAB could support clients, it was suggested that CAB could provide assistance to those wishing to make an application to the hardship fund. In response to a question from a member of the Committee, the Chief Finance Officer said that it was his understanding that the hardship fund was a grant rather than a loan to be repaid.

The Chairman expressed that he was pleased with the improved range in the toolkit at Appendix A of the report. He referred to the table at paragraph 6.33 of the report, and asked what the arrows in the rightmost column denoted. The Chief Finance Officer advised that the arrows represented the direction of travel of the risk rating.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

That the current key risks and corporate risk appetite be commented upon and the latest update be noted.

### **5. Certification of Claims and Returns Annual Report 2017/18**

The Audit and Governance Committee received report **AG 04/19** of the Cabinet Member with responsibility for Resources. Ernst and Young LLP's (EY) report summarised the results of their certification work on the Council's claims and returns. The report showed that the Council's housing benefit subsidy claim totalled £24,661,039. An indicative audit fee of £15,540 was set for this work, but the actual fee was £3,981 higher at £19,521 due to additional 40+ testing having to be completed. The audit fee for 2016/17 was £24,408.

The Cabinet Member invited Mr Tony Poynton, Audit Manager for EY, to address the Committee. He noted that that extended testing had been undertaken as the Department of Work and Pensions (DWP) methodology required EY to look at extrapolated data samples when errors were found.

Mr Poynton detailed the seven sets of testing that had taken place, advising that the majority of testing (six) had been driven by errors found in the previous financial year. He said that there had

been in improvement in the volume of errors identified – 18 in 2017/18 compared to 39 in 2016/17. There had only been a need to extrapolate data across two sets of testing as the others had not contained any errors.

The Committee was advised that the volume of error, compared to similar councils, was below average. He stated that £12,000 of errors had been identified in 2017/18, compared with £45,000 of errors in 2016/17.

The Chairman invited questions. The Committee did not have any questions for Mr Poynton.

The Chairman considered that EY's report was thorough, and acknowledged the reasons for the increased fees. He noted that overall, the fees had reduced substantially over the last four years.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

### **RESOLVED**

That the findings from Ernst and Young LLP's work on certifying the Council's claims and returns be noted.

*Mr Poynton left the meeting following the conclusion of this item.*

## **6. Annual Governance Statement 2018/19**

The Audit and Governance Committee received report **AG 05/19** of the Cabinet Member with responsibility for Resources. The Annual Governance Statement was a key document which 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.

The Accounts and Audit Regulations 2015 required councils to produce an Annual Governance Statement by 31st 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.

In order to comply with the Boundary Changes Regulations, the 2018/19 Annual Governance Statement had 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 the Members of East Suffolk Council and external audit.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She advised that the Annual Governance Statement summarised the good governance across the Council, in line

with the CIPFA toolkit. The Committee's attention was drawn to the diagram on page 40 of the report, which explained the seven principles of good governance.

Also of note was the Governance Assurance Framework on page 46, the list of documents supporting the Code of Corporate Governance on page 47, and the Significant Governance Issues Identified and Improvement Plan on page 48. With regard to the Improvement Plan, issues from previous years had been carried over as appropriate.

The Head of Internal Audit confirmed that, once endorsed by the Committee, the Annual Governance Statement would be signed by the Leader of the Council and the Chief Executive.

The Chairman invited questions.

It was confirmed that prior to signing, the Statement would be updated to reflect that the Chief Executive was signing the document as Chief Executive of Suffolk Coastal District Council.

A member of the Committee referred to the work related to asset management, due to be completed in March 2019, and asked who the outcome would be reported to. It was confirmed that this would be reported to East Suffolk Council's Audit and Governance Committee. The Head of Internal Audit advised that a separate report on the agenda outlined this work in more detail.

The Chairman asked if a contractor register would be created as part of the work around contract management. The Head of Internal Audit invited the Head of Operations to address the question; he advised that a dynamic purchasing system had been created in the last six months for specialist contractors undertaking work for Coastal Partnership East, so that there was a pre-selected range of organisations available, where the Council had completed due diligence checks, for specific one-off pieces of work. His team were now looking to extend this system to include housing maintenance contracts.

A member of the Committee asked if this system was available to other organisations, such as the Estuary Partnership. The Head of Operations confirmed that it was.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

That the Annual Governance Statement for 2018/19 (01 April 2018 – 31 January 2019) be approved.

*The Chief Finance Officer left the meeting following the conclusion of this item.*

#### **7. Internal Audit: Annual Internal Audit Plan 2019/20**

The Audit and Governance Committee received report **AG 06/19** of the Cabinet Member with responsibility for Resources. The report presented the proposed combined Internal Audit Plan for Suffolk Coastal and Waveney District Councils (branded East Suffolk) 2019-20 as agreed with the Corporate Management Team. The construction of the Plan involved many factors and drivers and a diagram was incorporated within the Plan, which illustrated the overall methodology.

The report was being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulated that the Committee was to 'approve, (but not direct) Internal Audit's work plan.' Also 'to promote the value of the audit process.'

The Cabinet Member invited the Head of Internal Audit to address the Committee. She advised that the Internal Audit Plan was directly linked to the resources available, i.e. 5.7 FTE staff. The Plan aligned with the Corporate Risk Register and was also compliant with the Public Sector Internal Audit Standards (PSIAS).

The Committee was advised of the work days it could request from Internal Audit, detailed on page 56 of the report.

The Chairman invited questions.

The Vice-Chairman asked if sufficient resources were in place for Internal Audit. The Head of Internal Audit said her team was a lean one, and any emerging risks would necessitate a need to defer or reassess workloads. She said the resource level was sufficient at present; there was one vacancy for a Principal Auditor role but this was being advertised. She advised the Committee that any unforeseen impact on the resource level would be reported to the Committee as she was required to do so.

In response to a question from a member of the Committee regarding any procedures for such a situation, the Head of Internal Audit advised that she was able to recruit consultants for short periods of time to deal with specific pieces of work. She reminded the Committee of the Section 151 Officer's duty to support the Internal Audit role if additional resources are requested, with support from the Audit and Governance Committee, to deliver the function.

The Chairman moved to the recommendation. He suggested adding a request that the Audit and Governance Committee of the new East Suffolk Council have similar access to work days, in line with the arrangements enjoyed by the Suffolk Coastal District Council committee. This was supported by members of the Committee. It was proposed, seconded and unanimously

#### **RESOLVED**

1. That the Annual Internal Audit Plan 2019-20 be approved.
2. That it be recommended that East Suffolk Council's Audit and Governance Committee is able to request up to fifteen work days, in line with similar existing arrangements for Suffolk Coastal District Council.

#### **8. Corporate Fraud Business Plan 2019/20**

The Audit and Governance Committee received report **AG 07/19** of the Cabinet Members with responsibility for Housing and Resources. The Corporate Fraud Business Plan 2019-20 detailed the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. 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 report was presented to the Audit and Governance Committee in compliance with its terms of reference to '...Monitor Council policies on...Anti-Fraud and Corruption'.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She stated that the Council followed international and national best practice in relation to counter fraud activities. It also liaised with a number of partner agencies to collect important intelligence. The Corporate Fraud service across both councils consisted of 3.3 FTE staff, including investigators which gave the Council powers linked to the National Crime Agency.

It was highlighted to the Committee that page 71 of the report contained the five fraud and corruption principles. Pages 73 and 74 of the report detailed the key areas of the team's work and what it delivered. The Head of Internal Audit noted that the focus of the team's work largely related to housing and tenancy fraud, but also included fraud associated with Council Tax reduction, Business Rates relief, blue badges, and the Council's resilience to cybercrime.

The Chairman invited questions.

The Vice-Chairman noted an increase of blue badge users in the District and asked what checks were being undertaken in respect of blue badges. The Head of Internal Audit said that spot checks were undertaken in line with Suffolk County Council, as it was this Council's responsibility to enforce abuses of the system. She said that when exercises had been undertaken, there had been positive feedback from the public for addressing the issue. She noted that the District had an ageing population which accounted for an increase in the number of blue badges issued.

Another member of the Committee asked if there was a figure on the number of younger people issued blue badges. The Head of Internal Audit advised that she would seek out this information and report it to the Member outside of the meeting.

In response to a question on the impact of Universal Credit on housing and tenancy fraud, the Head of Internal Audit said that the Council worked with CAB around this issue but noted that housing and tenancy fraud tended to relate more to those illegally subletting, particularly to those in need, and profiting as a result. She considered that it was rare for those in hardship to perpetrate housing or tenancy fraud.

A member of the Committee asked if the Corporate Fraud Service had sufficient resources. The Head of Internal Audit stated that there was the minimum level to meet the Council's needs, reiterating the importance of working with partner agencies. She highlighted that right to buy fraud had reduced and suggested this was due to changes in the way that checks were undertaken at the beginning of the application process.

The Committee, through the Chairman, asked for it to be noted that it fully endorsed the fraud and corruption principles outlined in the report.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

## **RESOLVED**

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

### **9. Internal Audit Reports Recently Issued**

The Audit and Governance Committee received report **AG 08/19** of the Cabinet Member with responsibility for Resources. The report stated that Internal Audit reports were issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference, 'To consider reports from the Head of Internal Audit...'. The Committee was invited to comment upon the contents of the Audit Reports regarding Payroll 2018/19 and Homelessness Prevention Grants 2018/19.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She explained that the Internal Audit Reports before the Committee were in a new style and used an updated terminology. She noted that in both reports, services had been graded as effective.

The Chairman invited questions.

The Vice-Chairman referred to page 85 of the report, which referred to the £70,000 Homelessness Prevention grant funding received by the Council, asking if this related to the number of homeless people in the District. The Head of Internal Audit said she would investigate further and report back to the Member outside of the meeting. The Chairman asked if she would also ascertain how much of the grant had been spent.

The Chairman noted the outcome of both reports as positive.

There being no questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

## **RESOLVED**

1. That the contents of the Payroll 2018/19 Internal Audit Report be received and noted.
2. That the contents of the Homelessness Prevention Grants 2018/19 Internal Audit Report be received and noted

### **10. Exempt/Confidential Items**

## **RESOLVED**

That under Section 100(1)(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 involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.



**11. Internal Audit Reports Recently Issued**

The Audit and Governance Committee received report **AG 09/19** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

**12. Internal Controls – Status Update – Contracts, Asset Management and Health & Safety Records with Partners**

The Audit and Governance Committee received report **AG 10/19** of the Cabinet Members with responsibility for Resources and The Green Environment. This item is recorded as a separate and confidential minute.

**13. Internal Audit – Status of Recommendations**

The Audit and Governance Committee received report **AG 11/19** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

**14. Minutes**

**RESOLVED**

That the Exempt Minutes of the Meeting held on 11 December 2018 be confirmed as a correct record and signed by the Chairman.

The meeting concluded at 8.27pm.

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Chairman