

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 11 December 2018** at **6.30pm**

**Members of the Committee present:**

G Lynch (Chairman), A Cooper (Vice-Chairman), P Coleman, D Dean, C Hedgley, S Mower, P Mulcahy.

**Others present:**

T Poynton, Audit Manager, Ernst and Young LLP.

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**Officers present:**

K Blair (Head of Operations), K Cook (Democratic Services & Cabinet Business Manager), R Davies (Senior Auditor), L Fuller (Audit Manager), M Fisher (Procurement Manager), H Slater (Head of Legal & Democratic Services & Monitoring Officer), S Taylor (Interim Chief Finance Officer and Section 151 Officer).

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**1. Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors J Bidwell, P Dunnett, J Kelso and R Whiting.

**2. Declarations of Interest**

There were no declarations of interest.

**3. Minutes**

**RESOLVED**

That the Minutes of the Meeting held on 10 September 2018 be confirmed as a correct record and signed by the Chairman.

**4. Standards Matters, Declarations of Gifts/Hospitality received by Members and Officers and Review of Complaints**

The Committee received report **AG 23/18** of the Leader of the Council. The report informed the Committee of declarations of gifts/hospitality received by Members and Officers, and included a review of an update on the Register of Interests for Town and Parish Councillors.

The Head of Legal and Democratic Services and Monitoring Officer referred the Committee to section 3 of the report (Complaints made under the Suffolk Code) and reminded Members that the Council adopted the Suffolk Code of Conduct on 26 July 2012. The Suffolk Code was adopted district and county wide. Written complaints may be made to the Monitoring Officer of the Council that a Parish, Town or District Councillor had breached the Suffolk Code. Since the last report to the Committee, in July 2018, eight complaints had been received. Seven of these were complaints which related to members of one particular town or parish council. Given the number of

complaints, and the nature of them, they were being considered currently by an investigator appointed by the Monitoring Officer. The investigator was external to the Council. The Investigator's report was expected before Christmas 2018. If the report made findings that the Code of Conduct had been breached, the Monitoring Officer would need to discuss the report / breaches with the Independent Person. The Monitoring Officer would then need to refer the report/breaches to the Audit and Governance Committee for its consideration. The other recent complaint had been made against a town or parish councillor; it had been considered, and discussed with the Independent Person. No further action was being taken in respect of it.

The Head of Legal and Democratic Services moved to section 4 of the report (Register of Gifts and Hospitality and Declarations of Interest) and advised the Committee that there were no declarations within the report that caused her any concern. However, Mrs Slater did refer to a declaration made by Mrs Javadi (the former Chief Finance Officer), in respect of a Dinner Event, and advised the Committee that Mr Taylor (the current Interim Chief Finance Officer) had also attended that event and so the declaration applied to him too.

Moving to section 5 of the report (Register of Interests), the Monitoring Officer advised the Committee that, at the time of writing the report, in respect of Town and Parish Councillors, 37 declarations were still outstanding. Mrs Slater provided an update to that, stating that one Councillor had resigned; Mrs Slater had written to 25 Clerks and following that, 11 declarations had been completed; 17 Clerks had given assurances that declarations would be completed; and six Clerks had not responded. Mrs Slater stated that, overall, she was pleased with the result, but she would write to the relevant Clerks again.

Looking ahead to May 2019, Mrs Slater advised the Committee that, in respect of following up the completion of register of interest forms, it was her intention to do this quickly, she would set a target of 100% completion within the first six months.

The Chairman invited comments and questions.

The Committee thanked Mrs Slater for her work and welcomed the approach that she intended to take in 2019; the Committee acknowledged the time and cost associated to this and suggested to Mrs Slater that she needed to be strong in her approach in 2019.

The Committee referred to the interim "manual" system that was in operation at the moment, in respect of the completion of register of interest forms, and asked when the new electronic system would be implemented. Mrs Slater advised the Committee that the target date for implementation was May 2019 and she had no reason to think that this would not be the case. The Chairman asked, if there were any concerns, that he be notified straight away.

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

## **RESOLVED**

That the contents of the report be noted.

## 5. Annual Audit Letter for the Year Ended 31 March 2018

The Committee received report **AG 24/18** of the Cabinet Member with responsibility for Resources. The report informed the Committee of Ernst and Young's annual audit letter which communicated the key issues arising from their work to Members and external stakeholders, including members of the public.

Detailed findings from Ernst and Young's audit work had already been reported to the Audit and Governance Committee and Full Council via their Audit Results Report in July 2018. Those findings were not repeated in the annual audit letter.

The Executive Summary of their letter covered the areas of audit work undertaken and the conclusions of that work, while the Financial Statement Audit and Value for Money sections of the letter detailed the significant risks identified from Ernst and Young's audit planning, along with the findings from their work in relation to those areas.

Mr Poynton, of Ernst and Young, emphasised for the Committee, that Ernst and Young's report was aimed at wider stakeholders, including members of the public. Mr Poynton stated that Ernst and Young were required to issue an annual audit letter to the Council following completion of their audit procedures for the year ended 31 March 2018. The report contained the results and conclusions on the significant areas of the audit process. In respect of financial statements, these were unqualified and gave a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended. In respect of consistency and other information published with the financial statements, this was consistent with the Annual Accounts. Ernst and Young had concluded that the Council had put in place proper arrangements to secure value for money in its use of resources. There were no issues to report and an unqualified audit opinion and unqualified value for money conclusions had been issued.

Mr Poynton referred to page 36 of the report and advised the Committee that the final fee for the Housing Benefit Subsidy certification would be confirmed within the next few weeks. In response to a question by the Chairman of the Committee, who asked Mr Poynton if he had any indication of the final fee, the Committee was advised that it was expected that it would be similar to last year.

The Chairman referred to page 24 of the report, and the reference to the fact that the Authority had liaised with the pension fund and the Actuary to obtain revised figures that enabled a £1.6m adjustment to be made reducing the pension scheme liability in the financial statements. The Chairman asked Mr Poynton if he was happy with this figure, and he confirmed that he was.

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

### **RESOLVED**

That the key findings within Ernst and Young's annual audit letter for the year ended 31<sup>st</sup> March 2018 be noted.

## 6. External Audit Plan for 2018/19

The Committee received report **AG 25/18** of the Cabinet Member with responsibility for Resources. The report detailed Ernst and Young's external audit plan, summarised their assessment of the key risks driving the development of an effective audit for the Council and outlined their planned audit strategy in response to those risks.

The Audit Plan also summarised the evaluation criterion Ernst and Young would use as part of their Value for Money Conclusion. Materiality had initially been set at £1.342 million for the audit of the Council's financial statements. The Council's proposed audit fee for 2018/19 totals £38,869, which is a decrease of £17,730 compared to 2017/18 (£56,599).

Mr Poynton, of Ernst and Young, stated that the Audit Plan set out how they intended to carry out their responsibilities; its purpose was to provide the Audit and Governance Committee with a basis to review their proposed audit approach and scope for the 2018/19 audit; it was also to ensure that their audit was aligned with the Committee's service expectations. The Plan was provisional and Ernst and Young had not yet concluded their detailed planning; they would update the Committee in March 2019 should there be any changes to the Plan, once they had completed these procedures. The Plan before Members summarised Ernst and Young's initial assessment of the key risks driving the development of an effective audit for the Council, and outlined their planning audit strategy in response to these risks.

Mr Poynton referred to page 46 of the report, and in particular Materiality, Planning materiality had been set at £1.342m, which represented 2% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £1.006m, which represented 75% of materiality; and finally, in respect of audit differences, Ernst and Young would report all uncorrected misstatements to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £67,100. Other misstatements identified would be communicated to the extent that they merited the attention of the Audit and Governance Committee. At Mr Poynton's request, the Committee confirmed that it understood this.

Debate took place regarding the new East Suffolk Council, and the Auditor's fees; the Interim Chief Finance Officer stated that this would be negotiated and he would be seeking a reduction in the fee when compared to the joint fee of the Suffolk Coastal and Waveney District Councils.

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

### **RESOLVED**

That the 2018/19 External Audit Plan be received and noted.

## 7. Whistleblowing Policy

The Committee received report **AG 26/18** of the Cabinet Member with responsibility for Resources. The report outlined that the Chartered Institute of Public Finance and Accountancy (CIPFA) suggested a regular review of the organisation's Whistleblowing Policy.

The Council had a legal obligation to adhere to the Public Interest Disclosure Act, commonly known as Whistleblowing.

The Council's Whistleblowing Policy was last reviewed in September 2016. The main content of the Policy remained compliant with expected good practices with minor changes made to the structure and length of the Policy following a training session delivered by Protect, formally known as Public Concern at Work, which was a leading independent whistleblowing charity in the United Kingdom.

One key point that was noted was the change in emphasis to ‘whistleblowing in the public interest’ from ‘whistleblowing in good faith’.

The report enabled the Audit and Governance Committee to fulfil its terms of reference, which included ... ‘To review the Councils Whistleblowing Policy’.

The Chairman invited comments and questions.

Following a question regarding changes to the policy the Committee was advised that format changes had been made to the existing Policy to make the document clearer and less legalistic. Additionally, there had been a change in emphasis to ‘whistleblowing in the public interest’ from ‘whistleblowing in good faith’. The Policy remained consistent with standard expected by the Public Interest Disclosure Act 1998 and the British Standards Institution PAS 1998:2008 and The Advisory, Conciliation and Arbitration Service (ACAS).

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

### **RESOLVED**

That the refreshed Whistleblowing Policy be received and noted.

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

The Committee received report **AG 27/18** 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 reminded that it was agreed at its meeting on 24 July 2018 that Internal Audit would produce a status report on the current governance and financial arrangements between Suffolk Sport and Suffolk Coastal District Council. The Committee was advised that this review confirmed that SCDC had been correctly set up as the lead authority for the eight local authorities within the Consortium Agreement (in accordance with the Local Government Act 1972, Section 113) that established Suffolk Sport. In its capacity as the lead authority the Council was responsible for the general administration at Suffolk Sport, and for holding and accounting for Suffolk Sport funds. Financial reporting requirements meant that Suffolk Sport’s summary financial position was now included in the Council’s annual statement of accounts, along with notes explaining the nature of the hosting arrangement. In return Suffolk Sport was required to comply with the Council’s policies and procedures, including those for financial management and corporate governance.

The Committee was advised that no specific audit work on Suffolk Sport had been undertaken by Internal audit in the past; however Internal Audit would now begin to include Suffolk Sport in its annual audit planning process, and ensure that its governance arrangements and financial transactions were covered in future audits.

The Chairman referred to page 93 of the report, and specifically the funding arrangements for Suffolk Coastal and Waveney District Councils; he commented that the two councils would be merging in 2019 and so the funding arrangement would change. Councillor Lynch commented that arrangements would need to be in place to reflect this.

The Chairman referred to paragraph 3.6 of the report and the reference to the fact that Suffolk Sport had confirmed that if the Consortium Agreement was terminated, staff costs would be the only significant financial costs, and for which they had provided funds for. Suffolk Sport's own accounts showed £120,000 set aside in a non-operational restricted reserve for estimated redundancy costs. The Chairman welcomed this but asked that consideration be given to any pension implications; he felt that the £120k should be reviewed in light of this.

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

**RESOLVED**

That the contents of the Suffolk Sport 2018/19 Audit Report be received and noted.

**9. Consideration of items for the Committee's Forward Work Programme**

The Audit and Governance Committee reviewed its Forward Work Programme. The Chairman advised the Committee that he would liaise with the Head of Internal Audit Services regarding two potential items for the agenda for the next meeting of the Committee.

**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. Minutes**

**RESOLVED**

That the Exempt Minutes of the Meeting held on 10 September be confirmed as a correct record and signed by the Chairman.

**12. Internal Audit Reports Recently Issued**

The Committee received report **AG 28/18** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

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

The Committee received report **AG 29/18** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

The meeting concluded at 7.45 pm.

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Chairman