

JOINT AUDIT AND STANDARDS COMMITTEE

MONDAY, 29TH JULY, 2019

Present: David Muller BA (Open) MCMI RAFA in the Chair

Councillors Honor Grainger-Howard, Bryn Hurren (Co-Chair), Robert Lindsay, Alastair McCraw, Mary McLaren, Mike Norris and Rowland Warboys (Substitute for John Matthissen)

Also in Attendance:

Councillors John Ward and John Whitehead

Officers: Claire Crascall – Internal Audit and Risk Management Officer
Sue Palmer – Senior Financial Services Officer
John Snell – Corporate Manager - Internal Audit
Katherine Steel – Assistant Director – Corporate Resources and Section 151 Officer

Apologies: Councillors Oliver Amorowson

Absent: Councillors James Caston

2 DECLARATION OF INTERESTS

2.1 There were no declarations of interests.

3 JAC/19/1 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 11 MARCH 2019

It was RESOLVED:-

That the Minutes of the meeting held on 11 March 2019 be confirmed as a true record.

4 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

4.1 There were no petitions received.

5 QUESTIONS BY THE PUBLIC

5.1 None received.

6 QUESTIONS BY COUNCILLORS

6.1 None received.

7 **JAC/19/2 JOINT ANNUAL GOVERNANCE STATEMENT 2018/19**

- 7.1 John Snell, Corporate Manager – Internal Audit, introduced paper JAC/19/2 detailing the review of the Council’s Corporate Governance arrangements during 2018/19 and was presented as a joint statement of the governance arrangements across both councils providing an insight looking ahead for this year and the key challenges going forward.
- 7.2 The statement was prepared in consultation with key Senior Officers to reflect the operations across both Councils.
- 7.3 There had been no governance issues identified during 2018/19 in relation to each Council’s overall governance framework which is continued to be regarded as fit for purpose.
- 7.4 The key governance challenges set out in the statement are being addressed to further strengthen the governance arrangements.
- 7.5 Transformation of how services are being delivered are being explored by reviewing, remodelling and reinventing the ways the council operates to provide better services to customers, to increase our social value, find ways that costs can be reduced without compromising services and increase and general income streams as set out on page 23 of the report.
- 7.6 Councillor Muller asked if there was an interim update available regarding the Customer Access Strategy. The Officer reported that an action plan was in progress and a further update would be sought from the Assistant Director – Customer Services which would be provided to members at a later date.
- 7.7 Councillor McCraw suggested that the annual governance statement be taken to full Council. The officer stated that it would accompany the annual statement of accounts when they were presented to full council. It was the view of the committee that there was a chance of the information getting lost within the reporting of the statement of accounts and that the governance statement be taken to Council as a separate report.
- 7.8 Councillor Hurren enquired if any further update could be provided regarding the sickness figures within the report. The officer stated that a spike in levels of sickness had been seen when the councils relocated to Endeavour House but reassured members that the health and wellbeing of staff was important and toolkits for staff had been provided to help and support staff who were feeling vulnerable or anxious in any way. It was also stated that a report relating to sickness had been presented at the last Overview and Scrutiny Committee and that the contents of that report had been mis-reported in the media.

The recommendations within the paper along with an additional recommendation that the Joint Annual Governance Statement report be taken to Full Council were Proposed by Councillor Hurren and Seconded by Councillor Norris. By unanimous vote.

It was RESOLVED:-

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- (1) That Councillors satisfied themselves that the Joint Annual Statement (AGS) 2018/19 as set out in appendix A to paper JAC/19/2 properly reflected the governance environment and any actions to improve it.
- (2) That the AGS be endorsed subject to the Assistant Director – Corporate Resources (in the absence of the Assistant Director – Law & Governance and Monitoring Officer) be authorised to make minor amendments and corrections prior to the Statement being finalised for publication
- (3) That the Assistant Director – Corporate Resources (in the absence of the Assistant Director – Law & Governance and Monitoring Officer), in conjunction with the Chairman of Joint Audit and Standards and the Leaders of the Council, be authorised to approve any significant amendments identified.
- (4) That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of their respective Council together with the Chief Executive on behalf of both Councils.

8 JAC/19/3 ANNUAL INTERNAL AUDIT REPORT 2018/19

8.1 John Snell, Corporate Manager – Internal Audit introduced paper JAC/19/3 explaining to members that the purpose of the report was to inform Councillors of the works undertaken within the Internal Audit Service during 2018/19 and to detail the key messages within the report which included the following: -

- That the Internal Audit Service continued to provide assurance, support and guidance on a diverse range of activities during a period of re-shaping and transformation within the Councils' Delivery Programme.
- That the Internal Audit Service had enhanced staffing which had been assisted by removing the business continuity responsibility out of the team which took place in October 2018.
- That the works conducted covered the following activities: -
 - Governance processes
 - Monitoring
 - Ethics
 - Information and information technology governance
 - Risk Management
 - Fraud Management
- During 2017/18 four audits received an internal audit opinion of 'ineffective', however when followed up in 2018/19 improvements had been made and the internal audit opinion had been changed to 'sufficient'.
- During 2018/19 five audits received an internal audit opinion of 'limited assurance'.

8.2 The Corporate Manager – Internal Audit also reported that his annual audit opinion on the overall accuracy of the effectiveness of the organisation's framework was that the governance arrangements, risk management and internal control was sufficient and provided reasonable assurance. Where control weaknesses had been identified proactive work was being carried out with management to agree appropriate corrective action and a timescale for improvement.

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- 8.3 Councillor McCraw asked why and how the changes to the Audit Assurance terminology in annexe 1 of the report were necessary. The Corporate Manager – Internal Audit stated that the previous terminology used was not always easy to understand for members and that he had consulted with his peers within Suffolk to get a consensus of terminology to be used across the County and that it was hoped that the changes would provide clarity and be easier to understand. Councillor McCraw stated that he approved of the changes and the traffic light system.
- 8.4 Councillor Muller asked if there was any interim advice regarding the summary of key findings within section 6.14 Housing Delivery Audit on page 46 of the report which he found concerning. The Corporate Manager – Internal Audit stated that works had not yet started however discussions were ongoing with the Assistant Director for Housing and that the Internal Audit team would be working closely with the Assistant Director for Housing and his team to ensure that any recommendations were actioned.
- 8.5 Councillor Muller stated that he was concerned about the statement ‘BMSDC does not currently have a consistent approach in managing Gifts and Hospitality’ which was in the Summary of key findings of item 13 Governance of Gifts and Hospitality and Declaration of Interests on page 48 of the report. The Corporate Manager – Internal Audit stated that ethical behaviour is high in importance and that works regarding the values adopted by the council would be taking place later this year which would incorporate ethical behaviours. Councillor McCraw enquired if it was the case that there was not a problem just an inability to demonstrate that there are the necessary policies in place. The officer stated that there was not a consistent procedure across the organisation, there were good examples and not so good examples and there was a need to redress the balance to ensure a consistent approach.
- 8.6 Councillor Norris asked for clarification regarding the statistics next to the questions ‘Will the audit improve internal controls?’, ‘Will the audit enable you to improve your service?’ within section 6.6.1 on page 52 of the report. The Corporate Manager – Internal Audit stated that it was accepted that on occasions that when an audit review is carried out the findings are accepted and in some instances the auditees are already aware of the issues raised and therefore the audit has not added any value to them and a slightly negative slant is then received in the responses received. The Internal audit team were looking to work closely with the auditees to add value and not tell them what they already know, there were also occasions that auditees did not agree with the findings and that this can skew results.
- 8.7 Councillor Warboys questioned why the Audit Opinion for section 2.1.2 on page 37 of the report had been changed from ineffective to reasonable assurance and was closed however within the management response statement of that section it stated that progress had stalled. The Corporate Manager – Internal Audit stated that he was pleased to report that the necessary resource had been put in place to correct the issues found and that he was satisfied that these issues had been addressed. Melissa Evans Corporate Manager for Finance stated that the present status in this report date highlighted that the work and procedures had been put in place to address the concerns raised.

The recommendation was Proposed by Councillor McCraw and Seconded by Councillor Norris. By unanimous vote.

It was RESOLVED:-

- (1) That the contents of the Internal Audit Report, supported by Appendix A be agreed.**

9 JAC/19/4 ANNUAL TREASURY MANAGEMENT REPORT - 2018/19

- 9.1 Sue Palmer, Senior Financial Services Officer introduced the report and stated that the report detailed the performance and effects of decisions made during the financial year 2018/19. The officer also stated that the council continued to operate in times of uncertainty.
- 9.2 The officer reported to the members that during 2018/19 Babergh had exceeded its daily banking limit on one occasion however, this was due to the timing of a refund being received when it was not expected and was not an ongoing concern as shown in the Investment Limit table on page 83 of the report.
- 9.3 The officer stated that it should be noted that the information within the report were still subject the external auditors review and that it was hoped that this would be completed by the end of September.
- 9.4 The officer informed members that on page 82, paragraph 4.3 of the report the 2018/19 Authorised Limit should state £148.000 for Babergh and £171.000 for Mid Suffolk.
- 9.5 Councillor Lindsey asked that as the Councils had approved motions to declare a climate emergency at full Council what proportion of investments were in fossil fuels. Katherine Steel, Assistant Director – Corporate Resources stated that that information was not available at the meeting but would be provided at a later date.
- 9.6 Councillor Hurren enquired why monies invested in the Funding Circle were being withdrawn. The Senior Financial Services Officer stated that the Funding Circle was a pool that national and local companies could apply to for funding and that the returns had not been as expected due to not as many applications being received as expected, therefore the decision had been made to withdraw investment to invest in other ways that provided more reward. The Assistant Director – Corporate Resources stated that the Funding Circle had also changed the way investments were made including the associated risks and the view was taken that the risk was now too high which had also informed the decision to withdraw investments.
- 9.7 Councillor Warboys raised that there seemed to be a difference in the degree of uncertainty between this report and the CIFCO report to full council and asked if there was a reason for this. The Assistant Director – Corporate Resources stated that the differing views were due to this report being written by accountants who would be more prudent and possibly more pessimistic in their views but as Section 151 officer she was comfortable with CIFCO activities.

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- 9.8 Councillor McCraw asked if his view that the rates of return from investments were a higher rate of return than the rates of interest that are being paid on borrowing was correct. It was confirmed that this was correct. Councillor McCraw also sought assurance that the council borrowing position was within safe fiscal limits. Melissa Evans – Corporate Manager – Finance stated that the difference between the actual borrowing and the authorised borrowing limits was due to reserves being available to reduce the amount of borrowing needed.
- 9.9 Councillor McCraw stated that by his calculation the annual interest of £2.69 million for Babergh and £4.02 million for Mid Suffolk and asked if a higher amount of interest which will come out of the budget for the forthcoming year than last year and what will be the impact on subsequent budgets? The Corporate Manager – Finance stated that the interest had already been included in the budget.
- 9.10 Councillor McCraw enquired if there were plans to flatten the peak within 10 and 20 years of borrowing maturity in Table 13 on page 85 of the report. The Assistant Director – Corporate Resources stated that the peak was due to HRA borrowing and that the difference between Babergh and Mid Suffolk was due to the Section 151 officer for Babergh taking a different view to the Section 151 officer for Mid Suffolk at the time of the borrowing. There may be penalties to repay early and the spike will be reduced if possible. Councillor McCraw asked if plans were in place to mitigate any problems in the future. The Assistant Director – Corporate Resources reported that reserves were being built up on an annual basis.

Recommendation 3.1 was proposed by Councillor Norris and Seconded by Councillor McCraw. By unanimous vote.

It was RESOLVED:-

That the treasury management activity for the year 2018/19 be noted and that it also be noted that performance was in line with the Prudential Indicators set for 2018/19.

Recommendation 3.2 was proposed by Councillor Hurren and Seconded by Councillor Granger-Howard. By unanimous vote.

It was RESOLVED:-

That it be noted that Babergh District Council treasury management activity for 2018/19 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £391k, as mentioned in Appendix C, paragraph 4.6, the Council has complied with all the Treasury Management Indicators for that period.

Recommendation 3.3 was proposed by Councillor Warboys and Seconded by Councillor Norris. By unanimous vote.

It was RESOLVED:-

That it be noted the Mid Suffolk District Council treasury management activity for 2018/19 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for that period.

10 JAC/19/5 END OF YEAR RISK POSITION STATEMENT AND PROGRESS REPORT AND REVISIONS TO RISK MANAGEMENT STRATEGY

- 10.1 Claire Crascall, Internal Audit and Risk Management Officer presented the report detailing movements of significant risks up to 31st March 2019. It was stated that there were 27 risks of which 16 were classed as Medium, 9 High and 2 Very High.
- 10.2 Councillor Hurren asked if risk 1a could be improved as it appeared that it was market driven. The officer stated that she would seek further detail and provide it to members at a later date.
- 10.3 Councillor Lindsey raised a concern that the housing mix not being secured increased the risk of not meeting housing demand. The officer stated that she would pass the comments and concerns on to the relevant officers.
- 10.4 Councillor Warboys stated that the fact that risk 4c on page 97 of the report was red was quite serious as it was a large investment and enquired if anything had changed or put in place to mitigate this risk. The Assistant Director – Corporate resources stated that a delivery model was being actively worked on and would be brought forward shortly. Councillor Warboys asked if this was linked to CIFCO. The Assistant Director - Corporate Resources stated that it was totally separate.
- 10.5 Councillor Muller asked if the action in risk 2d on page 107 of the report complete Stowmarket Technology Hub feasibility study – June 2019 had been completed. The Internal Audit and Risk Management Officer stated that she would seek further details from the Assistant Director and report back at a later date. Councillor Muller noted that several risk actions stated that they would be completed in June 2019 and asked that an update be provided at the next meeting for these.

The recommendation was Proposed by Councillor McCraw and Seconded by Councillor McLaren. By unanimous vote.

It was RESOLVED:-

- (1) That the contents of this report, supported by Appendix A, B and C, be noted.**

11 JAC/19/6 REPORT FROM THE MONITORING OFFICER

- 11.1 Janice Robinson, Corporate Manager – Democratic Services presented the report which detailed the code of conduct complaints received from 31 October 2018 to July 2019 and provided an update on Local Government Ethical Standards best practice for review. Regarding code of conduct complaints it was stated that queries had been received regarding referrals to the police, it was stressed that these were necessary for complaints about disclosable pecuniary interests as these were a criminal matter and should be investigated

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by the police not the Monitoring Officer and that most of the complaints are mostly against Parish Councillors and that very few have been received against District Councillors.

- 11.2 The Corporate Manager – Democratic Services also reported that she and two Councillors recently sat on a Joint Standards Committee hearing regarding a complaint against Councillors from other Councils, some of which had been reported in the press and also sought opinion from the committee regarding best practice 15 on page 151 of the report.
- 11.3 Councillor Warboys enquired how much time is spent dealing with code of conduct complaints. The Corporate Manager – Democratic Services stated that it was dependant on the type of complaint received and that an initial assessment was undertaken when a complaint was received which may result in the complaint being rejected due to it not being covered by the code of conduct. More complex complaints could take up to a year.
- 11.4 Councillor McCraw asked what the timescale was for a complaint received that was not a breach of the code of conduct. The officers stated that a response would be made within 20 days.
- 11.5 Councillor McCraw stated that the numbers of complaint received seemed higher than usual. The officer stated that a number of complaints were received just before and just after the election and that this was to be expected.
- 11.6 Councillor Norris suggested that the formatting of the table on page 142 be looked at to make the information clearer. The Corporate Manager – Democratic Services stated that a more workable format would be used in future.
- 11.7 Councillor Lindsey stated that he did not think it necessary to adopt best practice 15 on page 151 and asked why the recommendation was made. The Corporate Manager – Democratic Services stated that it was her opinion that it was to try to get discipline within groups but because of the culture that exists within the council it was hoped that if there was an issue within a group officers were approachable enough to have a conversation about it without the need for regular scheduled meetings. Councillor McCraw stated that he felt that it was not officers role to sort political group problems.
- 11.8 Councillor Warboys asked is Parish Councils were made aware of training available. The Corporate Manager – Democratic Services said that although we are always happy to offer help to Parish Councils but SALC should be a Parish Councils first contact.

The recommendations were Proposed by Councillors Hurren and Seconded by Councillor Grainger-Howard. By unanimous vote.

It was RESOLVED:-

- (1) That the Code of Conduct Complaints monitoring information contained in Paper JAC/19/6 be noted.**

- (2) That JASC consider the recommendations from the CPSL report and decide if any further action is required.

12 **JAC/19/7 FORWARD PLAN**

- 12.1 Councillor Muller stated that the next meeting is due to be 30th September.
- 12.2 Councillor Lindsey asked if the committee was able to scrutinise the Public Sector Leaders Board and if this could be included in a future agenda. Councillor Muller stated that he was not aware of this being happening before. Councillor McCraw stated that he was not sure if it was possible for either Overview or Scrutiny or Joint Audit to look at because they are separately elected by each council. The Corporate Manager – Democratic Services stated that the governance arrangement for the Public Sector Leaders Board would come under Suffolk County Council but that she would investigate further and feedback to the committee at a late date.
- 12.3 Councillor Warboys enquired as the Councils had declared a climate emergency whether this would be incorporated in the risk management in the future. The Corporate Manager – Internal Audit said that this would be raised with SLT.

Duration of the meeting: 9.30 - 11.00 am

Chairman at the meeting on
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