

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the Frink Room (Elisabeth) - Endeavour House, 8 Russell Road, Ipswich on Monday, 27 January 2020

**PRESENT:**

Councillor: Bryn Hurren (Chair)

Councillors:	Oliver Amorowson	Melanie Barrett
	James Caston	John Matthissen
	Alastair McCraw	Mary McLaren
	Dave Muller (Co-Chair)	Mike Norris

**In attendance:**

Guest(s): Suresh Patel, Ernst and Young

Officers: Sue Palmer, Senior Financial Services Officer  
Jan Robinson, Corporate Manager - Democratic Services  
John Snell, Corporate Manager - Internal Audit  
Katherine Steel, Assistant Director – Corporate Resources and Section 151 Officer

**Apologies:**

Robert Lindsay

**12 DECLARATION OF INTERESTS**

12.1 There were no declarations of interests.

**13 JAC/19/8 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 29 JULY 2019**

**It was RESOLVED:-**

That the minutes of the meeting held on 29<sup>th</sup> July 2019 be confirmed as a true record.

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

14.1 There were no petitions received.

**15 QUESTIONS BY THE PUBLIC**

15.1 None received

## **16 QUESTIONS BY COUNCILLORS**

16.1 None Received

## **17 JAC/19/9 STATEMENT OF ACCOUNTS AND AUDITORS REPORT 2018/19**

- 17.1 The Assistant Director – Corporate Resources, introduced paper JAC/19/9 by giving some background information as to why the report was late coming to committee.
- 17.2 It was stated that under the current regulations the expectations were that local authorities prepare and publish their draft accounts by 31<sup>st</sup> May (which is a statutory deadline) and that they are signed off by the external auditor by 31<sup>st</sup> July (this is not a statutory deadline).
- 17.3 The Assistant Director – Corporate Resources explained that in April 2019 the Audit Manager and the Audit Lead departed Ernst and Young which affected the scheduled audit team. It was then publicly acknowledged by Ernst and Young that they were experiencing resourcing issues and they announced that 18 local authority audits across the country would need to be deferred until the end of July which included Babergh and Mid Suffolk. An alternative date of August was discussed however, due to ongoing resourcing issues the Ernst and Young audit team were unable to begin until October 2019.
- 17.4 It was reported that the audit works were not fully complete at the time of the meeting and rather than delay any further, the recommendations in report JAC/19/9 included a delegation to be given to the Assistant Director – Corporate Resources in consultation with the joint chairs of this committee to sign off any final amendments to the accounts.
- 17.5 The Assistant Director – Corporate Resources stated that discussions had already taken place with Ernst and Young regarding the timing of the 2019/20 audits and that it had been agreed that delivery of a quality audit was more important than achieving a 31<sup>st</sup> July sign-off.
- 17.6 The Senior Financial Services Officer tabled papers that detailed a number of amendments that had been made to the statement of accounts since the paper had been published and explained that there were similar issues within both sets of accounts.
- 17.7 The representative from Ernst and Young apologised for the unacceptable position of the audit being late and reported that 40% of local authorities did not receive audits on time due to problems recruiting across the sector and that several large companies currently being investigated had impacted their workload.
- 17.8 The representative from Ernst and Young also reported that a realistic deadline for the 2019/2020 audit delivery would be September and that Ernst and Young had increased their headcount but were dealing with a backlog of works. The status of the audit was detailed on page 23 of the report and that

Ernst and Young were aiming for an end of February completion date.

- 17.9 Councillor McCraw stated that it was difficult to relate to the changes made to the report because of the issue with page numbers.
- 17.10 The Corporate Manager – Finance and Commissioning and Procurement acknowledged the problems with the page numbers and informed the meeting that they would be rectified and re- circulated.
- 17.11 Councillor Barrett asked if there were any detrimental effects on professional fees as a consequence of the audits being completed later.
- 17.12 The representative from Ernst and Young replied that there would be no additional costs unless any significant issues were found during the audit.
- 17.13 The Assistant Director – Corporate Resources stated that the fees were for delivery of a quality audit and that timings were not relevant.
- 17.14 Councillor McCraw stated that the late timings of the audit were not putting the Council's at greater risk, which Katherine Steel, Assistant Director – Corporate Resources agreed.

Councillor Amorowson joined the meeting at 10.00am.

- 17.15 Councillor McLaren enquired what would be a greater risk, under or overestimating the value of land and buildings.
- 17.16 The representative from Ernst and Young stated that the valuation of land was important to be correct as they are one of the biggest items on the balance sheet.
- 17.17 Councillor McLaren also enquired if the pension liability position for Babergh was common and should it be a concern.
- 17.18 The representative from Ernst and Young replied that from an audit perspective it was not a concern.
- 17.19 Councillor Matthissen asked if the deficit was being reduced by a steady amount each year.
- 17.20 The Assistant Director – Corporate Resources replied that it was correct that both Councils' were making 2 types of contributions to reduce the deficit.
- 17.21 Councillor Matthissen also enquired if the deficit would be completely closed within three years.
- 17.22 In response the Assistant Director – Corporate Resources confirmed that the deficit was reducing at rate that would result in it being fully funded within three years.

- 17.23 Councillor Matthissen sought clarification regarding the auditing of the various companies within the group.
- 17.24 The representative from Ernst and Young confirmed that the group accounts were not audited by Ernst and Young but were checked as part of the consolidation with Council accounts.
- 17.25 Councillor Caston asked if any areas of concern were found that had not already been covered.
- 17.26 In response the representative from Ernst and Young reported that no other areas of concern had been identified.
- 17.27 Councillor Matthissen requested that when the external company accounts had been scrutinised by Joint Overview and Scrutiny a report be brought to the following Joint Audit and Standards Committee.
- 17.28 Councillor Norris sought an explanation for the changes from +1,736 to -5,620 for the actuarial gains and losses arising on changes in financial assumptions on page 62 of App C of the report (Page 258 of the report).
- 17.29 In response the Assistant Director – Corporate Resources informed Councillor Norris that she would provide clarification as soon as possible.

The recommendation was Proposed by Councillor McLaren and Seconded by Councillor Muller. By Unanimous vote. (Councillor Amorowson was unable to vote on this item as he joined the meeting half- way through the item)

**It was RESOLVED:-**

- (1) That the Councils' S151 Officer in consultation with the Chairs of JASC be authorised to sign the accounts (including the auditors unqualified opinion) once completed. This will include:**
- (2) That the joint external auditor's report for 2018/19, once complete, be approved.**
- (3) That the Statement of Accounts for 2018/19 for Babergh District Council, produced following the completion of the audit be approved.**
- (4) That the Statement of Accounts for 2018/19 for Mid Suffolk District Council produced following the completion of the audit be approved.**

**18 JAC/19/10 TREASURY MANAGEMENT HALF YEAR REPORT 2019/20**

- 18.1 The Senior Financial Services Officer introduced paper JAC/19/10 detailing the performance and effects of decisions taken in the first 6 months of the 2019/20 financial year.
- 18.2 The Senior Financial Services Officer also pointed out the following key

aspects of the report.

- Banking activities undertaken were within the daily bank account limits.
- Each Council has reduced its short-term debt. Babergh by £989k and Mid Suffolk by £2.67m.
- Mid Suffolk lent a further £4.9m to Gateway 14 Ltd, which was financed from available short-term money market funds.
- All investment activities undertaken were in accordance with the approved counterparty list.
- The councils' investment activities including average returns can be found at Appendix C of the report.
- Both Councils made another investment of £2m each in a higher yielding strategic pooled fund (Investec Diversified Income Fund)
- Investment by both Councils in Funding Circle has reduced as unallocated funds have been reclaimed and existing loans repaid. For Babergh this was £191k of the £405k previously invested and for Mid Suffolk it was £183k of the £398k. Leaving the balance at 30th September as £214k for Babergh and £215k for Mid Suffolk.
- Both councils are compliant with the upper limits for interest rate exposure. The investment activity undertaken for the half year was done so in priority order of security and liquidity over yield as prescribed in the Treasury Management Strategy.

- 18.3 The Senior Finance Services Officer also informed members that there were errors in the tables within the report relating to the performance of the new Investec Investment, these were in Appendix C, paragraph 2.1.8, table 6.4 – in Babergh's table the average rate of return should be 4.65% nor 6.20% and in Mid Suffolk's table both the interest received amounts should be £0.31m.
- 18.4 Councillor Muller enquired if there was a plan to continue to reduce the amounts invested in the Funding Circle.
- 18.5 The Assistant Director – Corporate Resources stated that the plan was to reduce the amount being invested in the Funding Circle to zero.
- 18.6 Councillor Caston asked if the monies were being invested in alternative funds such as Investec etc.
- 18.7 The Assistant Director – Corporate Resources stated that those monies were being invested in five other funds to spread the risk.
- 18.8 Councillor Matthiessen enquired if spreading the risk and removing the monies from Funding Circle and investing in five other funds was more work.
- 18.9 In response the Assistant Director – Corporate Resources stated that as these were long term investments there it did not create any more work.
- 18.10 Councillor Matthiessen also enquired if the monies being invested in Gateway 14 were also long term investments.

- 18.11 The Assistant Director – Corporate Resources replied that the Gateway 14 investment was thought to be short term and that as Gateway 14 was developed and sold off the monies would be returned.
- 18.12 Councillor Matthissen voiced his concerns regarding the plots being sold off.
- 18.13 Councillor McCraw asked if the possibility of flattening the Babergh borrowing peak in the chart on page 335 of the papers was being explored.
- 18.14 The Assistant Director -Corporate Resources in response stated that it was not possible to do anything about this currently as it was a fixed rate borrowing.
- 18.15 Councillor McCraw asked if opportunities to flatten the peak of borrowing without incurring penalties could be investigated.
- 18.16 The Assistant Director – Corporate Resources stated that she would like to flatten the peak and would do so if possible.
- 18.17 Councillor Hurren enquired if investment monies were a balance of running services
- 18.18 The Senior Financial Services Officer stated that surplus cash was invested into money market funds and other short-term funds.
- 18.19 Councillor Caston asked for clarification if brokers were a vehicle to invest or used for advice.
- 18.20 The Senior Financial Services Officer stated that they were more like a vehicle to invest.
- 18.21 Councillor Caston enquired if there was a system in place to review investments regularly?
- 18.22 The Assistant Director – Corporate Resources replied that early warnings were received in weekly emails and that the Council was very proactive in monitoring these.
- 18.23 Councillor Hurren enquired if there was a fee for advice
- 18.24 In response the Assistant Director – Corporate Resources confirmed that there was.
- 18.25 Councillor Caston enquired if there was a fee for investing.
- 18.26 In response the Assistant Director – Corporate Resources Katherine Steel replied that no fee was paid for transactions.

The recommendation to both Councils was Proposed by Councillor Hurren and Seconded by Councillor Matthissen. By Unanimous Vote.

**It was RESOLVED:-**

- (1) That the Treasury Management activity for the first six months of 2019/20 as set out in the report and Appendices be noted.**
- (2) That it be noted that both Councils' Treasury Management activity for the first six months of 2019/20 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management indicators for this period.**

**19 JAC/19/11 INTERIM INTERNAL AUDIT REPORT 2019/2020**

- 19.1 The Corporate Manager – Internal Audit introduced paper JAC/19/11 and summarized the key information within the report.
- 19.2 The Corporate Manager – Internal Audit stated that there were 6 audits which had been carried forward from 2018/19 and 2 for 2019/20 which were listed in Appendix A, page 342 of the report.
- 19.3 Commenting further the Corporate Manager – Internal Audit also stated that all audits conducted were shown in section 6 of Appendix A of the report.
- 19.4 Councillor Muller asked if councillors could be included in 2.1.4 on page 344 2018/19 Governance – Gifts and Hospitality and Declarations of Interests and if there were any completed dates for the management response for 2.1.6 on page 346 2018/19 Payroll.
- 19.5 The Corporate Manager – Internal Audit replied that this would form part of the annual report in May.
- 19.6 Councillor McLaren stated that 2.1.2 Sourcing contracts and tendering process and contract management looked very basic and asked why this had not been picked up before.
- 19.7 In response the Corporate Manager – Internal Audit stated that in 2018/19 there was a back to basics approach taken with Commissioning and Procurement to put basic procedures in place which were either not there or had been eroded over time, a lot of work had taken place and that he was confident that when this was revisited there would be improvements.
- 19.8 Councillor McLaren voiced her concerns regarding the lack of records including no minutes of meetings.
- 19.9 The Corporate Manager – Internal Audit in responses stated that it appeared that long term contracts had become unformalized and work was being undertaken to formalise the procedures again.

The recommendation was Proposed by Councillor McCraw and Seconded by Councillor Amorowson. By Unanimous Vote.

**It was RESOLVED:-**

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

10.57 Councillor Barrett left the meeting.

## **20 JAC/19/12 COMPLAINTS MONITORING OFFICERS REPORT**

- 20.1 The Corporate Manager – Democratic Services introduced paper JSC/19/12 and reported that 33 complaints had been received in the last 3 months and that a more proactive approach had been adopted regarding Parish Councils with the Deputy Monitoring Officers providing training and attending Parish Council meetings to give advice.
- 20.2 Councillor Norris stated that he was confused regarding the text in paragraph 4.2.
- 20.3 The Corporate Manager – Democratic Services apologised that it appeared that the figures had been transposed and this would be corrected.
- 20.4 Councillor Amorowson enquired what the nature of the complaints had been.
- 20.5 Jan Robinson, Corporate Manager – Democratic Services explained that a number of complaints had been due to Councillors not understanding their roles and the code of conduct. The majority of complaints were regarding parish councillors and planning issues and whether councillors should be in the room or declaring of interests and what is a breach of code of conduct and complaints between councillors.
- 20.6 Councillor Hurren stated that it should be noted that although there was a high number of complaints being received the number where action was being taken was low in comparison.
- 20.7 Councillor McLaren enquired if there was anything as ward members, district councillors could do to be more proactive in respect of Parish Council complaints.
- 20.8 In response the Corporate Manager – Democratic Services stated that if a ward member was in a parish council meeting where there was an issue they could refer to the Code of Conduct to help clarify the issue.
- 20.9 Councillor Matthissen stated that it was great that training was being provided but would planning training and the Parish Clerk being trained is the way forward.
- 20.10 Jan Robinson, Corporate Manager – Democratic Services explained that we were working with SALC and building contacts with Parish Clerks and that planning officers had been involved in some of the training/advice given.

- 20.11 Councillor Caston ask for more details regarding the complaints which had been referred to the police.
- 20.12 The Corporate Manager – Democratic Services replied that these were complaints where a councillor has been accused of not disclosing a disclosable pecuniary interest which are referred to the police as this was a criminal matter.
- 20.13 Councillor McCraw raised that these were referred to the police as a statutory requirement and does not imply any guilt.
- 20.14 Councillor Caston enquired how many of the complaints could be considered to be of a sinister nature.
- 20.15 The Corporate Manager – Democratic Services state that a majority of complaints received were due to a lack of training. Maybe one or two may be of a more sinister nature but these were rare.

The recommendation was Proposed by Councillor Muller and Seconded by Councillor Norris. By Unanimous Vote.

**It was RESOLVED:-**

- (1) That the Code of Conduct Complaints monitoring information contained in Paper JAC/19/12 be noted.**

**21 JAC/19/13 JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES (2020/21)**

- 21.1 Sue Palmer, Senior Financial Services Officer introduced paper JAC/19/10 and explained that there were no significant changes in the format and that the report had been updated to reflect the latest capital expenditure, investment and borrowing and the latest treasury management investment and borrowing positions of the council.
- 21.2 The Senior Financial Services Officer also explained the appendices within the report and raised any key aspects and informed members that the tabled paper of changes only related to 2023/24.
- 21.3 Councillor Hurren enquired why there were no completion dates for the property investments on page 377 of the report.
- 21.4 The Assistant Director – Corporate Resources replied that information was not available.
- 21.5 Councillor Matthissen stated that in paragraph 9.5 of the minutes from the last meeting Councillor Lindsey enquired what proportion of investments were in fossil fuels and following discussions with Councillor Lindsey he would like to enquire if the Council could ask the various investment funds if they provided a tracker fund which excluded fossil fuel investment and if this could be

written into the strategy.

- 21.6 Councillor Hurren replied that he believed this was already covered in paragraph 11.1.
- 21.7 Councillor Matthissen disagreed and said that this was not sufficient.
- 21.8 Councillor McCraw asked how this could be achieved and suggested that it would be better placed in the Corporate Plan.
- 21.9 Councillor Caston stated that there were a Climate Change Working Group that was investigating procurement and that he would also raise this issue at the next meeting.
- 21.10 The Deputy Monitoring Officer informed the meeting that this was not within the powers of the Audit and Governance Committee. Treasury Management was a council function and that any decision to change the investment strategy would need to go to full council for agreement.
- 21.11 Councillor Matthissen asked that it still be flagged up in regards of investments.
- 21.12 Councillor Amorowson stated that finance was audited on ethics and did the environment not count as ethics.
- 21.13 Councillor McCraw said environment was not in the definition of ethics.
- 21.14 Councillor McCraw proposed a potential addition to the recommendations to be taken to Cabinet and Council as follows:-

#### Potential Recommendation 3.8

That Officers and Members, Working Parties and whatever mechanisms have been set up commence exploring alternative investment strategies that take greater account of the Council's own declaration of a climate change emergency

The recommendations to both Cabinets and Councils with the addition of recommendation 3.8 was Proposed by Councillor McCraw and Seconded by Councillor Amorowson. By 7 votes for, no votes against and 2 abstentions.

**It was RESOLVED:-**

**That the following be approved**

- (1) The Joint Capital Strategy for 2020/21, including the Prudential Indicators, as set out in Appendix A of the report.**
- (2) The Joint Investment Strategy for 2020/21, as set out in Appendix B of the report.**

- (3) **The Joint Treasury Management Strategy for 2020/21, including the Joint Annual Investment Strategy as set out in Appendix C of the report.**
- (4) **The Joint Treasury Management Indicators as set out in Appendix D of the report.**
- (5) **The Joint Treasury Management Policy Statement as set out in Appendix G of the report.**
- (6) **The Joint Minimum Revenue Provision Statement as set out in Appendix H of the report.**
- (7) **That the key factors and information relating to and affecting treasury management activities set out in Appendices E, F and I of the report be noted.**
- (8) **That Officers and Members, Working Parties and whatever mechanisms have been set up, commence exploring alternative investment strategies that take greater account of the Council's own declaration of a climate change emergency**

**22 JAC/19/14 FORWARD PLAN**

- 22.1 The Assistant Director – Corporate Resources requested that the item for Certificate of claims and returns annual report 2018/19 and External Audit Interim Update Report 2018/19 be removed from the forward plan.
- 22.2 The Assistant Director – Corporate Resources also pointed out that the Joint Audit Plan 2018/19 should read 19/20.
- 22.3 Councillor Hurren asked that the Forward Plan be extended past March 2020 and be distributed before the next meeting.

The business of the meeting was concluded at 11.47 am.

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Chair