

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the Virtual Meeting on Monday, 27 July 2020

PRESENT:

Councillor: Dave Muller (Chair)

Councillors: Oliver Amorowson
John Matthissen
Mary McLaren

Robert Lindsay
Alastair McCraw
Mike Norris

In attendance:

Guest(s): Suresh Patel, Ernst and Young
Vicky Chong, Ernst and Young

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

Apologies:

Councillor(s) Melanie Barrett, James Caston and Bryn Hurren

23 DECLARATION OF INTERESTS

23.1 There were no declarations of interests.

24 JAC/19/15 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 27TH JANUARY 2020

It was RESOLVED:-

That the minutes of the meeting held on 27th January 2019 be confirmed as a true record.

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

25.1 There were no petitions received.

26 QUESTIONS BY THE PUBLIC

26.1 None received.

27 QUESTIONS BY COUNCILLORS

27.1 None received.

28 JAC/19/16 JOINT ANNUAL GOVERNANCE STATEMENT 2019/20

- 28.1 The Corporate Manager – Internal Audit introduced paper JAC/19/16 and summarized the key information within the report.
- 28.2 The Corporate Manager – Internal Audit stated that the report was a review of the Councils' Corporate Governance arrangements for 2019/20 and was presented as a joint statement to reflect the governance arrangements in place across both councils.
- 28.3 Commenting further the Corporate Manager – Internal Audit stated that the report also provided an insight looking ahead to the current year and the key challenges faced by both councils going forward as well as addressing challenges identified in 2018/19 and the resulting actions taken at that time.
- 28.4 The Corporate Manager – Internal Audit informed the committee that the Annual Governance Statement included assurance statements from various officers representing the oversight functions as well as the annual audit opinion from the Corporate Manager – Internal Audit.
- 28.5 The committee were also made aware that as part of the consultation process the Annual Governance Statement had been reviewed by the Senior Leadership Team and that their comments were included in the report.
- 28.6 The Corporate Manager – Internal Audit also stated that the Annual Governance Statement also provided assurance of the effectiveness of the Councils' systems on internal control, arrangements continued to be regarded fit for purpose and there had been no governance issues identified the had been considered significant in relation to each councils overall governance framework.
- 28.7 In relation to the Covid 19 emergency the Corporate Manager – Internal Audit reported that the councils had to make a number of changes to the governance arrangements and that this Annual Governance Statement provided assurance for the governance arrangements in place for the majority of 2019/20 but also identified the issues and the changes that had been implemented in response to the emergency.
- 28.8 It was acknowledged that the councils arrangements were under significant pressure but that they were still robust and sufficient for the current circumstances and that looking forward and fully assessing the Covid 19 impact gave the councils the opportunity to look at ways to transform how services were delivered.
- 28.9 Councillor Matthissen stated that in relation to paragraph 4.6 b) Ensuring openness and comprehensive stakeholder engagement; that as a member of the opposition who made up half of Mid Suffolk Council he and others

were not feeling engaged in the governance process at the moment.

- 28.10 Councillor Lindsey enquired if climate change recommendations agreed by Cabinet including the recommendation to make sure the environment team looked at every decision Cabinet took and its impact on carbon emissions would mean that a report from the Assistant Director for Environment would be included in the future.
- 28.11 The Corporate Manager – Internal Audit assured Councillor Lindsey that this would happen in future reports.
- 28.12 Councillor Matthissen stated that he felt that paragraphs 4.18 and 4.16 contradicted each other as paragraph 4.18 stated that Covid 19 had caused issues however, paragraph 4.16 stated that no significant governance issues had been identified.
- 28.13 The Corporate Manager – Internal Audit clarified that the annual governance statement was looking back at 2019. As the Covid 19 lockdown took effect in March 2020 that only represented one month of the 12 months covered by the statement.
- 28.14 Councillor Lindsey enquired where council owned properties which are not held in the council property companies such as Borehamgate fit in the governance arrangements.
- 28.15 The Assistant Director – Corporate Resources stated that Borehamgate was owned directly by Babergh District Council so it would be subject to the normal governance arrangements therefore the Assistant Director for Assets and Investments would have responsibility reporting to the Senior Leadership Team and then into Cabinet.
- 28.16 Councillor Matthissen stated that there was a mismatch of descriptions regarding the political make up of the councils on page 29 of the report as it stated that Babergh had no overall political control but did not state that Mid Suffolk was controlled by the Conservative Cabinet on the Chairman's casting vote. This was noted by the Corporate Manager – Internal Audit.
- 28.17 Councillor McLaren asked if she could be informed which Councillors made up the membership of the development working group described on Page 30 of the report.
- 28.18 The Corporate Manager – Democratic Services informed Councillor McLaren that she would provide those details outside of the meeting.
- 28.19 Councillor McLaren also enquired who the nominated representative for Babergh was on the Suffolk Counter Fraud Group mentioned on page 38 of the report.
- 28.20 The Corporate Manager – Internal Audit informed Councillor McLaren that a member of the Internal Audit team was representing both councils on the

Suffolk Counter Fraud Group.

- 28.21 Councillor Lindsey asked for reassurance that sufficient checks were being carried out to prevent fraudulent claims for business grants etc during the Covid pandemic.
- 28.22 The Corporate Manager – Internal Audit reassured the committee that problems experienced in terms of fraudulent claims had been minimal, however the dedicated resource provided to the business cell had also checked the end to end processes at the initial stage.
- 28.23 The Corporate Manager – Internal Audit also clarified that due to the remit from Central Government to distribute the monies quickly to those most in need, most of the checks were being carried out retrospectively and should any retrospective checks show that a claim was fraudulently made then every attempt would be made to reclaim that money.
- 28.24 Councillor McCraw stated that as he felt that the Annual Governance Statement was fair and reasonable.
- 28.25 Councillor McLaren indicated that she found the statement very comprehensive and that she was glad to see on page 42 the next planned stage had been explained in terms of an upgrade in the auditing of Commissioning and Procurement performance.
- 28.26 Councillor Norris pointed out that on page 35 in the 2nd paragraph from the bottom the word Audit was missing from the Corporate Manager – Internal Audit and Data Protections job title. This was noted.
- 28.27 Councillor Matthissen agreed that the statement was an accurate reflection of the past year but significant changes would be needed for next year's statement to reflect the Covid situation.
- 28.28 Councillor Muller thanked the Corporate Manager – Internal Audit for his very detailed report and stressed that the opinion of the Chief Financial Officer was that the councils continued to operate robust internal controls and good financial management.
- 28.29 The recommendations were proposed by Councillor McCraw and Seconded by Cllr McLaren. By Unanimous Vote.

It was RESOLVED:-

- (1) That Councillors satisfy themselves that the joint Annual Statement (AGS) 2019/20 (Appendix A to the report) properly reflects the governance environment and any actions to improve it.**
- (2) That subject to (1) above, the AGS be endorsed subject to the Assistant Director – Law & Governance and Monitoring Officer being authorised to make any minor amendments and corrections prior to the Statement**

being finalised for publication.

- (3) Further that approval of any significant amendments identified by the Assistant Director – Law & Governance and Monitoring Officer be delegated to her in consultation with the Chairs of this Committee and the Leaders of each Council.
- (4) That it be noted that the finalised AGS will be signed by the Leaders of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

29 JAC/19/17 ANNUAL INTERNAL AUDIT REPORT 2019/20

- 29.1 The Corporate Manager – Internal Audit introduced paper JAC/19/17 and stated that the purpose of the report to provide details of the work undertaken by the internal audit team for the year 2019/20.
- 29.2 The Corporate Manager – Internal Audit reported that a recruitment campaign to replace the specialist lead for internal audit had been unsuccessful and as a result the senior management team agreed that the option of a core internal team boosted by an external resource would allow the councils to achieve a level of flexibility which could be critical in effectively dealing with a range of operational issues. The contracts for this were due to start in April 2020 but due to Covid 19 this had been delayed and the contract was actually signed on 1st July this year.
- 29.3 The Corporate Manager – Internal Audit reported that six audits were carried forward from 2018/19, two of which had since been closed following positive management actions, three audits would be revisited following the conclusion of the management review. Councillors attention was drawn to the proactive work undertaken by the Corporate Manager for Finance with regard to contract sourcing and spend reviews, with regards to the housing works an external audit was provided to undertake a health and safety compliance review the conclusions of which were being compiled and a report would be brought to committee imminently.
- 29.4 The Corporate Manager – Internal Audit stated that for the year 2019/20 the report showed two audit reports with adverse opinion which would be followed up this year.
- 29.5 Councillor McCraw noted that the audits with limited assurances and enquired if the Corporate Manager – Internal Audit could provide assurance and further information regarding what works were being carried out.
- 29.6 The Corporate Manager – Internal Audit stated that the IT audit was regarding inventory of IT equipment and that the Corporate Manager for IT was working to resolve the issues raised in the report.
- 29.7 The Corporate Manager – Internal Audit also stated that limited assurance

status had been given to audit 11 – Workplace Security shown in paragraph 6.1.3 on page 71 of the report as it was unclear what responsibility the councils had regarding security and health and safety issues in Endeavour House. A security breach had occurred allowing a member of the public to bypass barriers and gain access to office space on the 1st floor as a result representation would be made at the Endeavour House working group to address such issues, however there was still confusion in term of who would be taking ownership of this. There had also been some concerns regarding security at the Creting Road Depot and the Corporate Manager had made changes to make security arrangements more robust.

- 29.8 Councillor McCraw enquired if any further security measures had been put in place because of the Covid 19 situation.
- 29.9 The Corporate Manager – Internal Audit reported the security arrangements at Endeavour House were undertaken by Vertas and security arrangements at both Endeavour House and Creting Road were in line with the latest Government guidelines and a phased return to Endeavour House had been laid out by the Chief Executive in a staff briefing.
- 29.10 Councillor Matthissen stated that he had not been fully aware of the staffing issues within the audit team and that it appeared to have contributed to the statement on page 73 of the report which said a reduced percentage of the audit plan had been delivered as a result of a reduction in available audit resources.
- 29.11 Councillor Muller enquired if an audit stated that further information was needed, dates of when this information would be available be included in the reports. The Corporate Manager – Internal Audit stated that this would be done in future.
- 29.12 Councillor Muller also enquired if councillors would be included in communications regarding gifts and hospitality. The Corporate Manager – Internal audit replied that in the past he had issued guidance to both officers and councillors regarding declaring gifts and hospitality.
- 29.13 Councillor Muller asked if there was a completion date for the Housing Delivery audit in paragraph 2.1.5 of the report. The Corporate Manager – Internal Audit supplied an update that a draft report was currently with the Assistant Director for Housing for comment.

The recommendations were proposed by Councillor Muller and Seconded by Cllr Norris. By Unanimous Vote.

It was RESOLVED:-

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

REPORT

- 30.1 The Corporate Manager – Internal Audit presented the report which outlined the arrangements in place across both councils to ensure a proactive corporate approach to preventing fraud and corruption.
- 30.2 The Corporate Manager – Internal Audit stated that the estimated value of fraud detected or prevented by local authorities in 2018/19 was £253 million, this was a £49 million reduction from the previous year's totals and that this reduction could be largely attributed to the successful work in Housing to reduce the number of unlawful sublet properties and false right to buy applications.
- 30.3 The Corporate Manager – Internal Audit gave his assurance to members that works had been undertaken by internal audit in these areas resulting in a number of due diligence checks being implemented to strengthen the control environment in those areas.
- 30.4 The Corporate Manager – Internal Audit reported that the fraud risk register contained a list of areas indicated by Corporate Managers where the councils could be susceptible to fraud to enable suitable internal controls to be put in place to mitigate subsequent risks.
- 30.5 The Corporate Manager – Internal Audit stated that each council had nominated a representative to sit on the Suffolk County Fraud group whose main objectives were to explore the possibility of sharing and matching data, explore the possibilities for joint working and sharing resources, sharing materials, resources and ideas to promote awareness amongst staff and councillors, sharing best practises in relation to working arrangements, investigations, case management and to investigate cases jointly where appropriate.
- 30.6 The Corporate Manager – Internal Audit reported that the Shared Revenues Partnership team had been recognised by the Department for Work and Pensions for their work to reduce errors in housing payments and have been asked to work with the DWP to develop best practices which can be referred to by the DWP when working with other parties.
- 30.7 The Corporate Manager – Internal Audit stated that looking forward against a backdrop of reduced funding and Covid 19 it would be necessary to forecast effectively and target resources where they produce the most benefit.
- 30.8 Councillor Matthissen enquired if we were being as active as possible to discourage fraud by publicising any proven fraud. The Corporate Manager – Internal Audit replied that some more high profile cases would be publicised as they would be sanctioned through the courts which would be reported in the local press.
- 30.9 Councillor Matthissen asked if the number of fraudulent right to buy claims

intercepted could be publicised. The Corporate Manager – Internal Audit stated that it would be difficult to report numbers of fraudulent claims as it is sometimes difficult to ascertain if there was intent to submit a fraudulent claim.

- 30.10 Councillor McCraw enquired how the Corporate Manager – Internal Audit would characterise both Councils exposure to fraud in relation to other authorities in similar circumstances. The Corporate Manager – Internal Audit stated that generally Babergh and Mid Suffolk had low levels of fraud with a caveat that we can only work with resources available. However, an assurance was given that areas where it was thought there would be a chance of potential fraud were being targeted and steps were being taken to mitigate those.
- 30.11 Councillor McCraw expressed a particular concern that he had been made aware of during lockdown regarding subletting with the housing team unable to take the usual steps due to lockdown rules and asked if the team were in a position to resume normal service. The Corporate Manager – Internal Audit stated that he would liaise with the Assistant Director for Housing to establish what could be done.
- 30.12 Councillor McLaren stated that she was aware that across Ipswich there were at least four charities which provided money advice services and enquired if there were any relationships or joint training with those organisations. The Corporate Manager – Internal audit stated that he was not aware that there were any relationships however he would raise this query with the Suffolk Fraud Group.
- 30.13 Councillor Muller commended the Corporate Manager – Internal Audit for his report and stated that he thought points raised regarding publicity and liaisons with other groups were very relevant.
- 30.14 Councillor Matthissen asked for reassurance regarding staffing arrangements being put in place be brought to the next meeting. The Corporate Manager – Internal Audit stated that he would provide a mid term half yearly report in at the November meeting which would give an better indication of the works undertaken by the external company.
- 30.14 Councillor Norris pointed out that in the table on page 85 of the papers the column on the right hand side was head 2029 not 2019. This was noted.
- 30.15 In proposing recommendation 2.1 Councillor McCraw stated that in his opinion that the report showed that the risk of fraud and corruption was being managed adequately given the difficult circumstances.

The recommendations were proposed by Councillor McCraw and Seconded by Councillor Matthissen. By Unanimous Vote.

It was RESOLVED:-

- (1) That the contents of this report detailing the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption be noted.

31 JAC/19/19 JOINT ANNUAL AUDIT REPORT 2018/19

- 31.1 Suresh Patel from the external auditors Ernst and Young presented report JAC/19/19 and reported that the audit of the 2018/2019 accounts had been concluded and that Ernst and Young were proposing to issue an unqualified opinion on those accounts along with a clean value for money conclusion, which was positive.
- 31.2 As a result of the Covid 19 pandemic the Assistant Director of Corporate Resource had carried out an assessment of the impact of the pandemic on the Councils Finances and a detail disclosure note has been included in the accounts.
- 31.3 Suresh Patel stated that another impact of Covid 19 was that Ernst and Young carried out an internal consultation of the audit report to provide assurances to the Council and its Stakeholders, this was concluded late last week.
- 31.4 Councillor Matthissen enquired if there had been any liaison with the auditors of the Council's group companies and how the group accounts had been consolidated.
- 31.5 Suresh Patel replied that Ernst and Young take a view on whether or not the subsidiary companies are significant in terms of the size or the risks relevant to the group accounts. For Babergh and Mid Suffolk it was identified that CIFCO and Gateway 14 were significant, Ernst and Young liaised with the auditors for those companies to share views on risk and to review their audit report to enable an opinion of the group accounts.
- 31.6 Councillor McCraw enquired if the situation that caused the delays with audits industry wide had improved.
- 31.7 Suresh Patel replied that whilst there had been improvements the pressures remained and Covid 19 had added additional work and complexity.

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

It was RESOLVED:-

- (1) That the report be noted.

32 JAC/19/20 JOINT ANNUAL AUDIT PLAN 2019/20

- 32.1 Suresh Patel from external auditors Ernst and Young presented report

JAC/19/20 and stated that impact of Covid 19 on the 2019/20 accounts had been reflected on in the report and a number of areas of audit focus had been created or enhanced as a result.

- 32.2 Suresh Patel reported that the timetable for reported had been changed by MHCLG and it had been agreed with East of England Chief Financial Officers to take a phasing approach to audits for 2019/20 which had impacted the timetable the Council currently had in place to deliver the 2019/20 audits.
- 32.3 Vicky Chong from external auditors Ernst and Young presented the overview pages in the report and highlighted that there were no changes to risk other than to property, plant and equipment valuations which is now a significant risk due to the decision taken to change valuer.
- 32.3 Vicky Chong stated that the Covid 19 pandemic was placing increasing pressures on Council finances and as a result the going concern was a new area of focus. Other Covid 19 impacts considered in the report included remote working arrangements and how the relevant evidence would be made available from the Finance team for auditing purposes.
- 32.3 Vicky Chong reported that due to the ongoing uncertainty caused by Covid 19 Ernst and Young had introduced a consultation process on all audits which may impact the timing of upcoming audit reports. Attention was also drawn to the changes to the reporting timescale announced by MHCLG, the Council were required to publish the draft accounts by 31st May this has now moved to 31st August. Audited accounts were required to be published 31st July this has now moved to 31st November. Initially it was planned to publish draft accounts in June and for audit works to begin in July, however due to Covid 19 the timeline to deliver the draft account has moved to early August as a result the aim is to complete the audit by mid-December and to report the completed audit in January.
- 32.4 Vicky Chong confirmed that all information required to conclude scoping of the group audit had now been received and this scope would remain the same as detailed in the report on pages 140 and 141.
- 32.5 Councillor McCraw stated that the term 'materiality' was referred to several times and suggested that an explanation of the term could be included in future.
- 32.6 Councillor McCraw also enquired how the materiality was assessed. Suresh Patel replied that more detail regarding materiality was included in the report on page 135 and acknowledge that the term materiality was not clear and noted this for future reports.
- 32.7 Councillor McCraw asked the Assistant Director – Corporate Resources if in her professional opinion she considered the audit fees to be reasonable for councils of our size. The Assistant Director – Corporate Resources acknowledged that in her opinion the audit fees had reduced too low and increase in fees would be justified.

- 32.8 Councillor Matthissen enquired if the scope of audit for CIFCO and Gateway 14 could be elaborated on. Vicky Chong explained that the scope of the audit was determined on the basis of the sizes of the entity or the risk of the entity and based on the size of CIFCO and Gateway 14 a full scope audit had been decided on.
- 32.9 Councillor Matthissen asked if as part of the audit the risk registers are considered. Vicky Chong replied that the risk registers of the council are considered but not the risk registers of the individual companies.
- 32.10 Councillor McLaren enquired if the pension liability valuation for Babergh compared favourably to other councils in the country. The Assistant Director – Corporate Resources replied that there was not a national chart of how pensions were performing however a revaluation was carried out in March 2019 for the Suffolk pension fund and Suffolk came out very well overall nationally. Councillor Lindsay added that he was on the Pension Fund Committee at Suffolk County Council and within the publicly available papers for that committee there was information on all the local authority pension funds in the country for comparison.
- 32.11 Councillor Matthissen stated that in the minutes of the last Joint Audit and Standards Meeting it was stated that it was the aim to eliminate the pension deficit within three years and asked if the Assistant Director – Corporate Resources would like to advise the position in light of the current situation. The Assistant Director – Corporate Resources stated that was the aim based on the March 2019 valuation, the next valuation would be March 2022 and that there would most likely be some impact.

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

It was RESOLVED:-

- (1) That the report be noted and any comments on the report are fed back to Ernst and Young.**

33 JAC/19/21 FORWARD PLAN

- 33.1 Suresh Patel requested that the Statement of Accounts report shown in the forward for September be moved to the meeting in January in light of the timetable changes discussed during the Audit Plan item in this meeting. This was agreed.

The business of the meeting was concluded at 11.50 am.

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Chair