

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 17 May 2021

PRESENT:

Councillors:	Oliver Amorowson	James Caston
	Bryn Hurren (Co-Chair)	Robert Lindsay
	John Matthissen	Mary McLaren
	Dave Muller (Co-Chair)	Mike Norris

In attendance:

Officers:

- Monitoring Officer – Emily Yule
- Assistant Director Corporate Resources – Katherine Steel
- Corporate Manager – Finance and Commissioning and Procurement – Melissa Evans
- Assistant Manager – Financial Accountant – Rebecca Hewitt

Apologies:

Councillor(s) Alastair McCraw

30 DECLARATION OF INTERESTS

30.1 There were no declarations of interest.

31 JAC/20/18 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 29 MARCH 2021

It was RESOLVED:-

That the minutes of the meeting held on 29 March 2021 be confirmed and signed as a true record.

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

32.1 None received

33 QUESTIONS BY THE PUBLIC

33.1 None received.

34 QUESTIONS BY COUNCILLORS

34.1 None received.

- 35.1 Emily Yule – Monitoring Officer introduced the report in the absence of John Snell – Corporate Manager Internal Audit and Data Protection.
- 35.2 Included in the introduction of the report was the audit opinion made by Corporate Manager Internal Audit and Data protection which was that the Council's framework of governance, risk management and internal control provided sufficient reasonable assurance.
- 35.3 Councillor Hurren asked the Monitoring Officer if she had any comment regarding the audit works carried out during lockdown in a virtual way and if the deferred audits would be given priority.
- 35.4 The Monitoring Officer replied that all teams in the council including the internal audit team had adapted quickly and efficiently to a virtual system of working, ensuring no adverse impact on the audits undertaken. The deferred audits had been included in the internal audit plan and would follow the usual pattern of risk assessments.
- 35.5 Councillor Muller thanked the audit team for their work and asked for assurance that the Asset Management audit would be completed within the current financial year.
- 35.6 The Monitoring Officer confirmed that it would be completed in the next municipal year.
- 35.7 Councillor Matthissen enquired about the extent of external support and asked what proportion of the works were carried out by external auditors.
- 35.8 The Monitoring Officer stated that she did not have the exact figures but would hazard a guess that less than 50% of the works were carried out by the external auditors, however the external partner were prepared to carry out some of the key audits in the forthcoming year. The works that had been carried out by the external provider had received very positive feedback.
- 35.9 Councillor Matthissen asked the Monitoring Officer in her opinion what proportion of audit works carried out by the external partners would be satisfactory and if the council were looking to recruit internal auditors.
- 35.10 The Monitoring Officer replied that the distribution of hours and the split between internal and external audit was included in the Internal Audit Plan for 2021/22 and she would expect the split to be at least 50/50 or more heavily weighted towards the external provider given the spread of resource that they could provide. A decision had been made not to actively recruit to the internal audit team however this was under constant review.
- 35.11 The Monitoring Officer stated that the Corporate Manager – Internal Audit and Data Protection had regular meetings with the leadership of the external

provider and if the Committee wished the external provider could attend a future meeting to discuss their business and their operation to provide further reassurance.

- 35.12 Councillor Hurren enquired if it was more expensive to have the external provider carry out audits.
- 35.13 The Monitoring Officer stated that it was more cost effective to use the outside partner and it was a very beneficial contract in terms of the financial aspect and the skills brought to the internal audit function.
- 35.14 Councillor McLaren paid tribute to the report and praised the grants team.
- 35.15 Councillor Hurren echoed the praise to the grant team on behalf of the whole committee.
- 35.16 Councillor Lindsay asked what actions were being taken regarding the housing health and safety audit which had been given an audit opinion of limited assurance.
- 35.17 The Monitoring Officer stated that she had received an update from the Assistant Director for Housing and there had been a comprehensive overview of the works completed to date against an action plan which had been presented to the Health and Safety Board, also a follow up review of progress since the recommendations had been made was being carried out.

It was RESOLVED:-

That the contents of the Internal Audit report, supported by Appendix A, be agreed.

36 JAC/20/20 JOINT ANNUAL GOVERNANCE STATEMENT 2020/21

- 36.1 Emily Yule – Monitoring Officer introduced the report in the absence of John Snell – Corporate Manager Internal Audit and Data Protection.
- 36.2 Councillor McLaren enquired if the Monitoring Officer could expand on the statement within the report that had identified areas where there was scope for improvement.
- 36.3 The Monitoring Officer stated that she did not have that detail and would ensure that information was provided to committee members outside of the meeting.
- 36.4 Councillor Muller thanked the officers for the report and associated works which was endorsed by the Chair of the committee.
- 36.5 Councillor Matthissen stated that the removal of portfolio reports to council

and the fact that Cabinet questions were restricted to items that were on the agenda only meant that there had been a loss of accountability.

- 36.6 The Monitoring Officer replied that a full review of the constitution had been carried out by a cross party working group, however if a further review of questions to Cabinet was needed this could be done as part of the ongoing review of the constitution. Regarding Councillor Matthiessen's comments about cabinet reports, the approach to this had been agreed with all group leaders.
- 36.7 Councillor Caston stated that the report was very detailed, and it would be useful for all councillors to read it.

It was RESOLVED:-

- 1) That Councillors satisfy themselves that the Joint Annual Statement (AGS) 2020/21 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 the Joint Audit and Standards Committee and the Leaders of each Council.**
- 4) That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.**

37 JAC/20/21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS FOR THE COUNCILS' JOINT TREASURY MANAGEMENT STRATEGY

- 37.1 Rebecca Hewitt, Assistant Manager – Financial Accountant introduced the report which presented the key considerations to develop an environmental, social and governance policy for the Council's treasury management investments.
- 37.1 Councillor Lindsay asked how the fund management companies UN PRI scores related to the carbon intensity of their investments.
- 37.2 The Assistant Manager – Financial Accountant confirmed that the score does not have any relation to how many fossil fuel investments they hold but was how they disclose their activity about how they engage with fossil fuel companies.
- 37.3 Councillor Matthiessen opened the debate by stating that the scores in the table in paragraph 4.25 did not offer a basis to distinguish one fund

management company from another and whilst it was good that everything being invested in had a rating of A or A+ the PFI framework had a lot of different factors in its assessment to reach a score of A+ and more understanding was needed.

- 37.4 Councillor Hurren commented that he felt that the indicators were moving in the right direction.
- 37.5 Councillor Matthissen added that although the ESG performance was generally improving, his concern would be that the environmental component was not moving fast enough.
- 37.6 Councillor Caston stated that he did not have an issue with the investments from an environmental point of view and asked what we were trying to achieve. The funds were a collection of lots of other funds with monies spread throughout them and the income received was good as that could be used to improve the environment and reduce the councils carbon footprint in our districts.
- 37.7 Councillor Muller agreed with Councillor Caston and raised the importance of paragraph 4.14 on page 80 of the report which stated that divesting fossil fuel investments may not be the most effective solution to combat climate change and although the Council had declared a climate emergency it should be a priority to make decisions which do not lose the Council money which is needed.
- 37.8 Councillor Amorowson read out a paragraph contained in a corporate statement from a think tank which suggested that continuing to invest in fossil fuels could pose a financial risk.
- 37.9 Councillor Lindsay questioned how the council could declare a climate emergency but continue to invest in fossil fuel companies.
- 37.10 Councillor Hurren asked the Assistant Director – Corporate Resources for her professional view on how best to influence change in how the council's money was invested.
- 37.11 The Assistant Director – Corporate Resources replied that the purpose of the report was to get an idea of which direction the committee would like to take and what to recommend to Cabinet who would be the decision maker. There would be a capital cost if investments were moved because assets are currently valued below purchase price but it would be good to know what to look at and put a framework in place to work to when the Council was in a position to review investments.
- 37.12 Councillor Lindsay questioned the investment strategy of keeping investments because of what it was purchased for.
- 37.13 The Assistant Director – Corporate Resources stated that table in paragraph 4.38 of the report showed the current valuations and that there were choices

to be made in terms of what was an acceptable cost to the Councils to move funds.

- 37.14 Councillor Hurren asked if all the monies invested in the Schroder fund were invested in fossil fuels or if it was spread.
- 37.15 The Assistant Director – Corporate Resources stated that it was spread as the investment was in the fund as a whole and it was not possible to invest in the fund but request for your investment not to be in fossil fuels.
- 37.16 Councillor Matthissen stated that the report was useful in drawing out why officers had been reluctant to move investments and questioned the method of reporting losses and gains whilst acknowledging that government guidelines were being adhered to.
- 37.17 Councillor Matthissen also commented that he felt it was reasonable to say we should move investments now with any losses incurred being the cost of doing the right thing.
- 37.18 Councillor Caston stated that the investments should be given time to recover from the pandemic.
- 37.19 Councillor McLaren stated that she was glad that the report had been brought to committee for discussion and she agreed that movement towards ethical investments was the way to go however now was not the time to make rash decisions.
- 37.20 Councillor Amorowson commented that the current situation should be taken as a good opportunity as the Councils could be missing out by waiting to move investments.
- 37.21 Councillor Lindsay proposed a recommendation to Cabinet to ask that fund managers apply ESG filters when investing the Councils money.
- 37.22 Councillor Matthissen agreed with Councillor Lindsay's proposal and suggested adding a prepared loss of income of 25% in order to get a better mix of investment.
- 37.23 Councillor Hurren stated that he could not agree with Councillor Matthissen's additional proposal.
- 37.24 The Monitoring Officer suggested the following recommendation to be voted on:- That the Joint Audit and Standards Committee recommends that the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns.

The Joint Audit and Standards Committee recognises that any decision to withdraw funds should be balanced against financial prudence.

37.25 Councillor Muller **PROPOSED** the recommendation and Councillor Lindsay **SECONDED** the recommendation.

It was RESOLVED:-

That the Joint Audit and Standards Committee recommends that the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns.

The Joint Audit and Standards Committee recognises that any decision to withdraw funds should be balanced against financial prudence.

38 JAC/20/22 FORWARD PLAN

38.1 There were no comments on the Forward Plan

The business of the meeting was concluded at 11.21am.

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Chair