

Minutes of the Audit Committee Meeting held on 18 May 2016 at 10:00 am in the Elisabeth Room, Endeavour House, Ipswich.

Present: Councillors Michael Bond (Chairman), Jenny Antill (Vice-Chairman), Len Jacklin, Bert Poole, Chris Punt and Andrew Reid.

Supporting officers present: Louise Aynsley, Chief Accountant (Strategy and Accounts)
Richard Hart, Principal Auditor
Linda Pattle, Democratic Services Officer
Tim Ryder, Monitoring Officer
For Minutes Nos. 52 to 60: Mark Hodgson, Ernst & Young
For Minute No. 60:
Chris Bally, Assistant Chief Executive
Paul Butcher, Head of Health and Safety
Geoff Dobson, Director of Resource Management
Paul Doe, Chief Technology Officer
Aidan Dunn, Head of Procurement and Contract Management
Sally Marlow, Head of HR
For Minute No. 61:
Geoff Dobson, Director of Resource Management
Sue Morgan, Head of Democratic Services

The Chairman spoke of his great sorrow at the passing of Councillor Peter Bellfield. Members joined the Chairman in paying tribute to Councillor Bellfield, whose good qualities had made him an outstanding member of the Council and of the Audit Committee.

52. Public Participation Session

There were no requests to speak in the public participation session.

53. Apologies for Absence and Substitutions

Apologies for absence were received from Councillor David Busby. The Committee noted that Councillor Andrew Reid would temporarily be filling the vacancy created by Councillor Bellfield's death, and would be joining the meeting later.

54. Declarations of Interest and Dispensations

With regard to Agenda Item 5, Ernst & Young 2015/16 Audit Plan – update, the following councillors declared a local non-pecuniary interest: Councillor Jenny Antill, as a Non-Executive Director of Suffolk Group Holdings Ltd and as a councillor representative on the Council's Shareholder Group for Wholly Owned Companies; Councillor Len Jacklin, as a councillor representative on the Council's Shareholder Group for Wholly Owned Companies; and Councillor

Bert Poole, as a councillor representative on the Council's Shareholder Group for Wholly Owned Companies.

With regard to Agenda Item 10, Role Profiles of Councillors with Special Responsibilities, the following councillors declared a local non-pecuniary interest: Councillor Michael Bond, as Chairman of the Audit Committee; Councillor Len Jacklin, as Opposition Spokesperson; Councillor Andrew Reid, as Councillor with Special Responsibility for Transformation (declared subsequently by Councillor Reid when he joined the meeting).

55. Minutes of the Previous Meeting

The minutes of the meeting held on 16 March 2016 were confirmed as a correct record and signed by the Chairman.

56. Ernst & Young 2015/16 Audit Plan - Update

At Agenda Item 5, Mark Hodgson, recently appointed by Ernst & Young to be the Council's Audit Director, presented an updated Audit Plan for 2015/16. He drew members' attention to those parts of the Plan that had been changed since the Committee's last meeting.

The Committee noted that the final sentence of Note 2 in Appendix A should read "Our proposed fees for agreed upon procedures work for certification arrangements on the Council's Teachers' Pensions return were £10,000."

Decision: The Committee agreed to receive the Ernst and Young 2015/16 Updated Audit Plan as set out at Agenda Item 5.

Reason for decision: The Committee was satisfied with the updated plan and the progress reported.

Alternative options: None considered.

Declarations of interest: Councillors Jenny Antill, Len Jacklin and Bert Poole declared a local non-pecuniary interest in this Agenda Item, as set out in Minute No. 54 above.

Dispensations: None noted.

57. Audit Services – Progress Report

At Agenda Item 6 the Committee considered a report providing a summary of the activities carried out by Audit Services between 19 February 2016 and 25 April 2016.

Decision: The Committee agreed that it was satisfied with the work and activities of the internal audit service, with a view to the Head of Audit Services being able to provide a year-end opinion on the overall control environment of the County Council, in accordance with the Public Sector Internal Audit Standards.

Reason for decision: Members were aware that the Committee's terms of reference included responsibility for approving and monitoring delivery of the internal audit activity of the Council. They considered that the report and appendices at Agenda Item 6 provided evidence of satisfactory arrangements.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None noted.

58. Audit Services – Annual Report 2015/16

At Agenda Item 7 the Committee considered a report summarising the work undertaken by Audit Services in 2015/16, and the conclusions reached; and reviewing the effectiveness of the system of internal audit.

Decision: The Committee agreed:

- a) to support the recommendation of the Director of Resource Management that the Council's internal audit arrangements were effective;
- b) to confirm that the opinion of the Head of Audit Services, in his Annual Report, could be relied upon as a key source of evidence in the Annual Governance Statement; and
- c) to confirm, from the work undertaken by Audit Services, as set out in the Internal Audit Annual Report for 2015/16, that it took assurance in the operation of internal controls.

Reason for decision: Members were aware that this action was within the terms of reference of the Committee which included approving and monitoring the effectiveness and delivery of the internal audit activity of the Council, monitoring the response to audit reviews and investigations, and the implementation of agreed actions.

Members expressed concerns about the fact that after carrying out assurance work on HMRC – Payroll, Audit Services had concluded that the level of assurance provided by controls was ineffective. They heard that within the Council itself there was improved compliance with HMRC requirements for the evaluation of self-employment by suppliers and contractors, but that in some schools there remained a lack of awareness about the correct procedures. The Committee was aware that guidance had been re-issued to schools. Members agreed that after the next audit they would review the matter and consider whether further action was required.

Members were also concerned to note that cash controls in Adult Social Work Services had been found ineffective. They heard that this audit work had been carried out early in the 2015/16 financial year and that since then a number of remedial actions had been taken. Nevertheless, members were pleased to hear that Audit Services would consider whether to carry out any further work in this area.

With the agreement of the Committee, the Chairman altered the order of business as set out below.

59. Audit Services – Audit Resources

At Agenda Item 9 the Committee considered a report setting out the merits and demerits of engaging a further internal audit staff member for the purpose of fraud research and investigation (as requested by the Committee at its meeting on 16 March 2016 – Minute No. 47 refers).

Decision: The Committee agreed that it was satisfied with the resources currently allocated for fraud research and investigation.

Reason for decision:

Members recognised that the Committee had a role in relation to oversight of the Council's internal audit function, and should seek to make best use of the internal audit resource within the assurance framework, whilst also acknowledging that responsibility for internal audit staffing levels lay ultimately with the Director of Resource Management.

The Committee heard that the majority of savings made as a result of fraud investigations came through a biennial National Fraud Initiative (NFI) exercise which matched electronic data held within and between public and private sector bodies in order to prevent and detect fraud, and correct error. Members were aware that greater audit resource was required every two years to analyse and review the NFI output. However, the Committee also noted that at present the Head of Audit Services was content with his resources, particularly as he had recently recruited a new Lead Auditor. When that person took up his post, there would be 8.53 full-time equivalent staff in Audit Services.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None noted.

60. Annual Governance Statement

At Agenda Item 8 the Committee considered a report reviewing the Council's Corporate Governance arrangements, as required by the Accounts and Audit Regulations.

Decision: The Committee agreed that it was satisfied with the Council's Annual Governance Statement, as set out in the report at Agenda Item 8, subject to an addition to the Opinion of the Director of Resource Management/Chief Finance Officer giving further detail about why he considered that "the capacity of the organisation could be severely tested".

Reason for decision: Members were aware that the preparation and publication of the Annual Governance Statement would meet the statutory requirement of the Accounts and Audit Regulations requiring authorities each financial year to conduct a review of the effectiveness of its system of internal control, and to prepare an annual governance statement. They recognised that it was the Committee's responsibility to review the Council's Corporate Governance arrangements.

The Committee considered that the evidence provided demonstrated that the Council was meeting its statutory responsibilities in this regard. However, members considered it would be helpful if the Statement could include reference to the fact that, at a time when resources were diminishing, there was a risk that staff could be distracted from the day-to-day work of the Council by new demands arising from, for example: changes to the governance of schools; the Local Government Finance Review; major growth and infrastructure projects; and devolution.

Alternative options: None considered.

Declarations of interest: None declared.

Dispensations: None noted.

Councillor Andrew Reid joined the meeting at 11:06 am.

61. Role Profiles of Councillors with Special Responsibilities

At Agenda Item 10 the Committee considered a report providing information on the development of profiles of the roles for which County Councillors drew a specific 'Special Responsibility Allowance' under Part 7 of the Council's Constitution, the Members' Allowances Scheme.

The Committee noted that currently the role of "Member with Special Responsibility for Highways" was vacant.

Decision: The Committee agreed:

- a) That the report and appendices at Agenda Item 10 adequately reflected the following roles for which councillors received Special Responsibility Allowances:

Chairman and Vice-Chairman of the Council;
Leader and Deputy Leader of the Council;
Cabinet Member;
Chairmen of the Health and Wellbeing Board, Audit Committee, Pension Fund Committee, Education and Children's Services Scrutiny Committee, Scrutiny Committee, Health Scrutiny Committee, Development Control Committee, Rights of Way Committee;
Member of the Permanence Panel;
Leader and Deputy Leader of the largest Opposition Group;
Spokesperson for the largest Opposition Group;
Leader and Deputy Leader of the second Opposition Group;
Leader and Deputy Leader of the third Opposition Group;
Chairman of the Police and Crime Panel.

- b) To recommend that the role profiles listed in (a) above be provided as evidence to the next Independent Remuneration Panel for consideration as part of the review of Members' Allowances.
- c) To request that the role profiles for the "Members with Special Responsibility for..." (pages 113 to 130 of the report at Agenda 10) be amended to provide greater clarity with respect to: the estimated average monthly time spent on the role; the outcomes associated with the role; and to whom the councillor was expected to report. The amended profiles would be considered by the Audit Committee at a future meeting, with a view to their being provided as evidence to the next Independent Remuneration Panel for consideration as part of the review of Members' Allowances.
- d) Not to make any recommendation with regard to roles for which currently no Special Responsibility Allowance was made.

- e) That in due course all the role profiles should be accessible to members of the public from the County Council's website, in conjunction with the information already published regarding Members' Allowances.

Reason for decision:

The Committee considered that the profiles referred to in (a) above were a fair reflection of the responsibilities of the roles, and would provide the Independent Remuneration Panel with information that they needed in order properly to assess the work required of members drawing a Special Responsibility Allowance.

The role of "Member with Special Responsibility for..." was relatively new and the Committee found it difficult to comment on whether the profiles fairly reflected the work involved. Members expressed concerns about the disparity in the suggested times spent on the roles, although they recognised that the councillors filling the roles had been asked to make a difficult and somewhat subjective estimation. The Committee was also aware that the amount of time spent did not necessarily correspond directly to the effectiveness of the role. Members anticipated that it would be difficult for the Independent Remuneration Panel to judge whether the Council was spending public money wisely on these roles without further information about the outcomes to which the roles were expected to contribute. The Committee also considered that it would be helpful to indicate to whom the roles were expected to report about progress in achieving the stated objectives.

The Committee was aware that, in addition to those referred to in the report at Agenda Item 10, there were a number of roles undertaken by councillors for which no Special Responsibility Allowance was currently payable. Members preferred to leave this matter to the consideration of the Independent Remuneration Panel.

The Committee considered that in due course all the role profiles should be published on the Council's website as this would provide the public with information to further their understanding of the Members' Allowances Scheme.

Alternative options: None considered.

Declarations of interest: Councillors Michael Bond, Len Jacklin and Andrew Reid declared a local non-pecuniary interest in this Agenda Item, as set out in Minute No. 54 above.

Dispensations: None noted.

61. Forward Work Programme

The Committee approved the Forward Work Programme at Agenda Item 11.

62. Urgent Business

There was no urgent business.

The meeting closed at 11:54 am.

Chairman