

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Monday, 26 March 2018

Time: 6.00pm

Place: Shimkent Room - Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Howard Burrell, Laurie Chester, David Cullen, Graham Snell and Brian Mitchell

Start / End Time: Start Time: 6.00pm

End Time: 7.35pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors R Broom and G Lawrence.

There were no declarations of interest received from Members.

2 **MINUTES OF THE LAST MEETING OF 5 FEBRUARY 2018**

The minutes of the last meeting of the Committee, held on 5 February 2018, were approved as a correct record and signed by the Chair.

3 **SAFS PROGRESS AGAINST SBC'S ANTI-FRAUD ACTION PLAN 2017/2018**

The Committee considered a report, which provided information on:

- Progress on the Council's Anti-Fraud Plan for 2017/2018
- A proposed Stevenage Borough Council Anti-Fraud Plan for 2018/2019
- Transparency Code Data

Members were referred to the Local Government Association's "A Councillor's Workbook on Bribery and Fraud Prevention", which was deemed a very helpful and worthwhile document.

Specific reference was made to the Council's standing as a founding member of the Hertfordshire Shared Anti-fraud Service (SAFS) and how SAFS worked across the whole Council dealing with all aspects of fraud from deterrence and prevention to investigation and prosecution.

The report laid out the Council's position in relation to its Anti-Fraud and Corruption Strategy and included advice to Members, senior officers and staff about how to deal with identified fraud. It also referred to the Council's Anti-Fraud Action Plan for 2017/2018, which covered all areas recommended by CIPFA to ensure that the

Council acknowledged the risk of fraud, its responsibility to combat these risks and took appropriate action to prevent, deter and pursue fraud. It was noted that, in the first three quarters of the current financial year, 184 cases of alleged fraud were reported to SAFS for investigation, including allegations of fraud affecting areas such as council tax liability, housing applications, blue badge use, housing benefit and business rates.

Officers responded to Members' questions in relation to:

- The level of recoverable losses claimable by the Council
- The recovery of properties
- The number of cases where action had been taken
- Letting Agents and the letting of Council properties

It was noted that a full report would be submitted to the next meeting of the Committee.

It was **RESOLVED**:

1. That the progress made by the Council and the SAFS in delivering the Anti-Fraud Action Plan 2017/2018, be noted; and
2. The proposed Anti-Fraud Plan 2018/2019, be approved.

4 **PROPOSED ANTI-FRAUD ACTION PLAN FOR 2018/2019**

The Committee considered the Anti-Fraud Plan 2018/2019, which supported the Council's current Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire SAFS, had in place effective resources and controls to prevent and deter fraud as well as investigate those matters that did arise.

The Plan included objectives and key performance indicators that supported the Council's strategy and met the best practice guidance and directives from Central Government Departments such as the DCLG and other bodies, including the National Audit Office and CIPFA.

It was reported that the SAFS Board had fixed the annual fee for district councils and that the fee for Stevenage Borough Council for 2018/2019 would remain at £100,000 plus VAT.

It was reported that there would be a review of the data hub by March 2019 and that Auditors were talking to the Cabinet Office to see whether a Herts-shared hub could be created.

In response to a Member's question with regard to Key Performance Indicator 1 and whether full training had been undertaken, it was noted that details of all such training would be included in a future report to the Committee.

It was **RESOLVED** that the progress made in respect of the proposed Anti-Fraud Action Plan for 2018/2019, be noted.

5 **ASSESSMENT OF CORPORATE GOVERNANCE ARRANGEMENTS AND GOVERNANCE CODE ANNUAL REVIEW**

The Council's Assistant Director of Corporate Services and Transformation (RP) introduced the report, which advised Members of the activity completed during 2017/2018 to strengthen governance arrangements and the enhancement activity identified for delivery in 2018/2019 as a result of the Council's self-assessment of current corporate governance arrangements against the principles of good governance, as set out in the CIPFA and SOLACE Framework, "Delivering Good Governance in Local Government (2016)."

He said that, each year, self-assessment of the Council's current corporate governance arrangements was carried out. He made reference to the CIPFA and SOLACE seven core principles of good governance listed in the report, which the Council was assessed against.

Some of the key considerations arising from the self-assessment were the progress and status surrounding the Council's Property Investment Strategy, Asset Management Strategy, implementation of the Technology Shared Service Plan and GDPR and the readiness of the Council.

It was **RESOLVED** that:

1. Progress on significant governance enhancement activity during 2017/18, as summarised in Paragraph 3.6 to the report, and highlighted in Appendix A (Appendix A also outlined governance enhancement activity pertaining to best practice), be noted; and
2. The significant governance actions identified for 2018/19 that would facilitate the Council's continued compliance with the requirements of the CIPFA and SOLACE Framework "Delivering Good Governance in Local Government (2016)", as set out in Paragraph 3.7, summarised in Appendix B and outlined together with governance enhancement activity pertaining to best practice in Appendix C to the report, be noted.

6 **2018/19 INTERNAL AUDIT PLAN REPORT**

The Committee considered a report, which provided Members with the proposed Stevenage Borough Council 2018/2019 Internal Audit Plan.

It was reported that there had been extensive discussions amongst the Council's

Internal Auditors and its Assistant Directors and that the outcomes from these were detailed in the report.

It was reported that:

1. The SIAS Board had approved a 10% reduction in audit plan days across all partner plans at its December 2017 meeting. For Stevenage, this amounted to a reduction of 40 days from a total of 390 to 350 days in the 2018/2019 Audit Plan; and
2. The performance indicators, listed in Section 3 to the report, remained unchanged.

It was **RESOLVED** that the 2018/2019 Internal Audit Plan Report, be approved.

7 **SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT**

The Committee considered a report, which provided Members with:

- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2017/2018 Internal Audit Plan as at 9 March 2018;
- b) The findings for the period 21 January to 9 March 2018;
- c) The proposed amendments required to the approved Annual Internal Audit Plan;
- d) The implementation status of previously agreed high-priority audit recommendations; and
- e) An update on performance management information as at 9 March 2018.

It was reported that seven reports were expected to be completed that week, which would equate to 94.2% output, which was just below the target set. Also, it was noted that this would mean that 33 out of 35 projects would have been completed, which equated to "excellent."

It was **RESOLVED** that the Internal Audit Progress Report for the period 9 March 2018, be noted.

8 **URGENT PART 1 BUSINESS**

In accordance with Rule 37(a), the Chair had agreed that the following matters be deemed urgent and considered at the meeting:

- a) Audit Planning Report – Year Ended 31 March 2018
- b) External Audit Update Report – March 2018
- c) Local Government Audit Committee Briefing

It was noted that the External Audit Plan report should have been included within the original agenda despatched for the meeting but, given that notice and receipt of the report (and the other two listed above) by Constitutional Services was after the date of despatch of the original agenda, the Chair was contacted to seek her approval to consider the matters at this meeting..

Accordingly, the Chair agreed that the following matters be deemed as urgent as to not present the External Audit 17-18 Plan and progress report to this meeting, would result in its consideration being delayed until June 2018, at which point this would be significantly late and beyond when the Council had to issue draft 17-18 accounts for audit.

- a) Audit Planning Report – Year Ended 31 March 2018

Neil Harris, the Council’s External Auditor (Ernst and Young LLP) (EY), introduced the report, which set out how EY intended to carry out its responsibilities as the Council’s Auditor and to provide the Committee with a basis to review EY’s proposed audit approach and scope for the 2017/18 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office’s 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd., auditing standards and other professional requirements. The attached Plan set out to ensure that EY’s audit was aligned with the Committee’s service expectations and summarised EY’s initial assessment of the key risks driving the development of an effective audit for the Council, and outlined EY’s planned audit strategy in response to those risks.

Mr Harris addressed a number of specific areas, including:

- “Management override” – susceptibility where managers had to make

estimations

- Capitalisation of revenue spend
- Inherent risks e.g. actuaries
- Pension liabilities – any assumptions made in accounts
- Changes in Audit Strategy this year – increase in commercialisation activity in the Council

Mr Harris responded to Members' questions in relation to:

- The accuracy of the statement under “details” in relation to achievement of savings needed over the medium-term, as detailed at Page 6 to the report;
- “Performance materiality” – an important issue for Members to be aware of
- Earlier deadline for production of financial statements
- Better ways of holding each other to account
- Publication of Annual Audit Letter in September 2018 – was this correct?
- Total fees listed on Page 30 (£55,841) – was this correct?
- Reference to Rochford District Council (should have referenced Stevenage Borough Council)
- Commercialisation – was this an increasing area?

b) External Audit Update Report – March 2018

With reference to Minute No.4 to the minutes of the Audit Committee held on 5 February 2018, Mr Harris introduced the report, which summarised the work EY had undertaken to date and their plans for the remainder of the 2017/18 year. The purpose of the report was to provide the Committee with an overview of the stage EY had reached in its 2017/18 audit and ensure that EY's audit was aligned with the Committee's service expectations.

Mr Harris said that the report set out where EY was with the accounts and value for money and that there were no significant concerns. It was noted that value for money considerations would be fluid as information was awaited on the Council's SG1 redevelopment proposals.

c) Local Government Audit Committee Briefing

The Committee considered the briefing, which covered issues that may have an impact on the Council, the local government sector and the audits that EY undertook. It was noted that the briefings brought together not only technical issues relevant to the local government sector but wider matters of potential interest to the Council.

It was **RESOLVED** that all of the above reports, be noted.

9 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.
2. That having considered the reasons for the following items being in Part II it be determined that maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

10 **PART II MINUTES OF THE AUDIT COMMITTEE OF 5 FEBRUARY 2018**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 5 February 2018 be noted.

Members recalled that an update should have been provided at this meeting in relation to the Technology Shared Service Improvement Plan and that given this was a work in progress, should have been reflected in the minutes of the meeting of 5 February 2018.

11 **STRATEGIC RISK REGISTER**

It was **RESOLVED** that the Strategic Risk Register for Stevenage Borough Council, be noted.

CHAIR