

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Monday, 4 February 2019

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Laurie Chester, David Cullen, Graham Lawrence and John Lloyd.
Geoffrey Gibbs (Independent Member)

Also Present: Neil Harris (Ernst & Young)
Simon Martin (Shared Internal Audit Services)

Start / End Time: Start Time: 6.00pm
End Time: 7.33pm

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

An apology for absence was received from Councillor G Snell.

There were no declarations of interest.

2 **MINUTES - 20 NOVEMBER 2018**

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 20 November 2018 be approved as a correct record and signed by the Chair.

In relation to the Ernst & Young toolkit for assessing the effectiveness of Audit Committees, the Independent Member advised that he felt that a discussion on this matter with the Chair and officers would be best held outside of the formal meeting.

In respect of the shareholder review of the effectiveness of the Joint CCTV Partnership/company, the Assistant Director (Finance & Estates) confirmed that options going forward would be considered by the next Joint CCTV Partnership meeting in early April 2019.

3 **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18**

Neil Harris, Ernst and Young, presented the Certification of Claims and Annual Returns Report 2017/18 which summarised the results of the work on the Council's 2017/18 claims.

The main considerations for the Committee related to the Housing Benefits Subsidy Claim and the fees for certification.

The Committee was advised that the subsidy claim had been reduced by £99, and that the value of the claim presented for certification was £32,072,189. Subject to agreement by Public Sector Audit Appointments Ltd, Ernst & Young's fees for the certification work would be £16,145.

It was **RESOLVED** that the Certification of Claims and Returns Annual Report 2017/18 be noted.

4 **LOCAL GOVERNMENT AUDIT BRIEFING**

The Committee received the Quarter 3 Local Government Audit Committee Briefing from the Council's external auditors, Ernst and Young.

The Briefing Paper outlined Government and economic news; accounting, auditing and governance updates; regulation news; and highlights of Ernst & Young's Transparency Report 2018.

In response to a Member's question, the Committee was advised that there was no financial penalty for late filing of the Statement of Accounts, but that it was more a reputational issue for Local Authorities and external auditors.

It was **RESOLVED** that the Local Government Briefing Paper for Quarter 3 prepared by Ernst and Young be noted.

5 **DRAFT AUDIT PLANNING REPORT 2018/19**

The Committee considered the draft Audit Planning Report 2018/19 prepared by Ernst and Young.

The Committee noted the risks and areas of focus to be covered by the audit, which included the risk of management override; capitalisation of revenue expenditure; property, plant and equipment valuations; pension valuation and disclosures; new accounting standards; Group accounts assessment; Housing Revenue Account (HRA) depreciation. Value for money conclusions would be prepared for the significant risks of the Future Town, Future Council decision making processes and the financial resilience of the Medium Term Financial Strategy.

The Committee was informed that planning materiality had been set at £2.2Million, which represented 2% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £1.6Million and all uncorrected misstatements relating to primary statements greater than £108,000 would be reported.

It was noted that Ernst & Young's planned audit fee for 2018/19 was £49,283, with an estimated fee of £7,600 for work in connection with the certification of Housing Benefit.

The Assistant Director (Finance & Estates) undertook to report back to the Committee at some time in the future in respect of Group Accounts Assessments, with particular reference to Marshgate Ltd.

In response to a Member's question, the Committee was informed that the 2% (£2.2Million) planning materiality percentage was comparable with percentages for most other local authorities.

It was **RESOLVED** that the draft Annual Planning Report 2018/19 prepared by Ernst and Young be noted.

6 **ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2019/20**

The Assistant Director (Finance and Estates) presented a report which would be recommended to Council at its meeting on 27 February 2019 seeking approval of the Treasury Management Strategy 2019/20 including its Annual Investment Strategy and the prudential indicators.

The Assistant Director (Finance and Estates) tabled a replacement Page 98 of the agenda, which included figures for the General Fund borrowing requirements for the Queensway Regeneration project.

The Assistant Director (Finance and Estates) advised that the proposed 2019/20 Treasury Management Strategy and Prudential Codes incorporated the revisions to the CIPFA Prudential and Treasury Management Codes, which came into force on 1 April 2018.

The Committee noted that, for the 2018/19 financial year to 31 December 2018, returns on investment had averaged 0.82%, and a total of £421,000 interest had been earned. The use of planned resources over the coming years would mean that the Council's cash for investment was projected to reduce from £59.6Million at 31 March 2019 to £30.3Million by 31 March 2023.

The Assistant Director (Finance and Estates) explained that it was recommended that the operational borrowing limit be increased to reflect the uncertainty regarding the release of Growth Deal 3 monies and the finance arrangements for the mixed use Queensway redevelopment project.

It was noted that investment services would be provided to Queensway Properties LLP.

It was **RESOLVED**:

1. That the Treasury Management Strategy 2019/20 be recommended to the Executive and Council for approval.
2. That the draft prudential indicators for 2019/20 be approved.
3. That the minimum revenue provision policy be approved.
4. That it be noted that no changes are being proposed to treasury limits contained within the Council's treasury management policies.

5. That the investment services provided to Queensway Properties LLP (see Paragraph 4.12.3 of the report) be noted.

7 **SHARED INTERNAL AUDIT SERVICES (SIAS) - PROGRESS REPORT 2018/19**

The Committee received the Shared Internal Audit Service (SIAS) 2018/19 progress report for the period to 18 January 2019.

The SIAS Client Manager updated the Committee by advising that 76% of audit days had been delivered. Since the last meeting, 9 audits had been completed with good assurance levels; 1 with a limited assurance level; and 1 with a satisfactory assurance level.

The SIAS Client Manager referred to the High priority audit recommendations in respect of the CCTV Partnership and Cyber Security. The report contained target dates for the various recommendations to be implemented.

In reply to a question, the SIAS Client Manager undertook to report back to the Committee following completion of the Hertfordshire Home Improvement Agency audit.

In response to a Member drawing attention to the Cyber Security High Priority Audit Recommendations, the Assistant Director (Corporate Services & Transformation) advised that it was intended to produce a costed ICT Investment Plan in the coming months. He agreed to submit a report on this matter to a future meeting of the Committee.

It was **RESOLVED**:

1. That the Internal Audit Progress report be noted.
2. That the status of Critical and High Priority Recommendations be noted.

8 **URGENT PART 1 BUSINESS**

Performance & Improvement Manager

The Chair advised that Elaine Wright (Performance & Improvement Manager) was shortly to leave the Council's service. Over the years, Elaine had assisted the Committee in its work on the Corporate Risk Register and Annual Governance Statement, and would be sorely missed. The Chair asked the Assistant Director (Corporate Services & Transformation) to pass on the Committee's thanks to Elaine, and to wish her well for the future.

9 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED** that:

1. 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 Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

10 **PART II MINUTES - AUDIT COMMITTEE - 20 NOVEMBER 2018**

It was **RESOLVED** that that the Part II Minutes of the meeting of the Audit Committee held on 20 November 2018 be approved as a correct record and signed by the Chair.

11 **URGENT PART II BUSINESS**

None.

CHAIR