

# STEVENAGE BOROUGH COUNCIL

## AUDIT COMMITTEE MINUTES

**Date: Tuesday, 12 November 2019**

**Time: 6.00pm**

**Place: Shimkent Room, Daneshill House, Danestrete**

**Present:** Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Sandra Barr, Lizzy Kelly and Graham Lawrence.

**Start / End** Start Time: 6.00pm  
**Time:** End Time: 7.02pm

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

Apologies for absence were received from Councillors Stephen Booth, Laurie Chester and David Cullen, and from Mr Geoff Gibbs (Independent Co-opted Member).

There were no declarations of interest.

### 2 **MINUTES - 10 SEPTEMBER 2019**

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 10 September 2019 be approved as a correct record and signed by the Chair.

### 3 **EXTERNAL AUDIT 2018/19 - PROGRESS REPORT**

The Finance Manager (Technical) gave a verbal update on progress with regard to the 2018/19 External Audit.

The Finance Manager (Technical) advised that the External Auditors, Ernst & Young, had been on site at SBC since 30 September 2019. Two new significant risks had been identified in relation to the Queensway development, namely the decision-making process and the method of asset valuation. There were also a few outstanding issues in respect of the value for money conclusions.

The Finance Manager (Technical) commented that the External Auditors were also looking at the Medium Term Financial Strategy, with a view to assuring that the General Fund budget position was not being propped up by the Queensway project. The Group Accounts also needed to be agreed to reflect the valuation of Queensway and until this was completed the Statement of Accounts and audit could not be finalised. Ernst & Young aimed to complete this work by the due deadline, but it could be that the Statement of Accounts are published with any outstanding information to follow.

The Committee was informed that Ernst & Young had raised concerns that the Annual Governance Statement (AGS) made no mention of the Queensway and SG1 developments, and so it was likely that the Statement of Accounts/Audit Committees would be requested to approved an updated AGS at their joint meeting on 27 November 2019.

It was **RESOLVED** that the verbal progress report in respect of the 2018/19 External Audit be noted.

#### **4 PROGRESS WITH DELIVERY OF 2019/20 ANTI-FRAUD PLAN**

The Shared Anti-Fraud Manager presented a progress report on the Anti-Fraud Plan 2019/20.

The Shared Anti-Fraud Manager drew attention to Appendix B to the report, the Shared Anti-Fraud Service (SAFS) Action Plan 2019/20. He was pleased to report that all key actions were on target to be delivered by the end of March 2020. SAFS was currently working with the SBC Human Resources Team to develop an E-Learning package on fraud.

In respect of fraud referrals, the Shared Anti-Fraud Manager advised that 112 of these had now been received, in excess of the target of 100. Of the 71 lives cases still under investigation, the estimated fraud loss and savings combined was estimated to exceed £320,000.

The Shared Anti-Fraud Manager explained that the joint work between the SBC Parking Enforcement Officers and SAFS Team on Blue Badge fraud was going well. He also drew attention to the 2018/19 National Fraud Initiative data-sharing exercise, which had identified 1,612 potential matches. As at the end of September 2019 161 high risk matters had been reviewed and savings of £184,000 recorded.

In reply to a series of Members' questions, the Shared Anti-Fraud Manager commented as follows:

- the process for estimating the value of fraud loss was a recent addition to the SAFS IT system. At the end of the 2019/20 Financial Year, it would be possible to compare the estimated figure against the actual outturn figure;
- the statistics relating to Housing Benefit fraud covered both public and private sector housing;
- it was expected that any potential procurement/contract management fraud in respect of SBC contracts would be flagged up by officers for onward reporting to SAFS;
- the 2019/20 target of 12 social homes secured from sub-letting or other unlawful tenancy breaches was based on previous years and was challenging, as this type of fraud was complex. However, as well as delivering significant savings to the Council, the successful cases provided added social value;
- the onus would be for Planning Officers to enforce any instances of householders moving their boundary/fence lines onto amenity land.

It was **RESOLVED** that the work of the Council and the Shared Anti-Fraud Service in delivering the 2019/20 Anti-Fraud Plan be noted.

## **5 INTERNAL AUDIT PLAN 2019/20 - PROGRESS REPORT**

The Committee considered a progress report on the Shared Internal Audit Service (SIAS) Audit Plan 2019/20 for the period to 25 October 2019.

The SIAS Client Audit Manager advised that, since the preparation of the report, a further three audits had been finalised, namely Procurement, Facilities Management and the CCTV follow-up. He commented that the audit of Land Charges had been cancelled and the audit days returned to contingency.

The SIAS Client Audit Manager reported that the Performance Indicators were broadly on target. Five client satisfaction questionnaires had been returned.

The SIAS Client Audit Manager referred to the High Priority audit recommendations and commented that the two outstanding CCTV recommendations had now been implemented; the IT-related recommendations were at various stages of completion; and the Museum recommendations had been implemented. In relation to the Hertfordshire Home Improvement Agency recommendations, it was reported that the HCC Audit Committee was to consider these in late November 2019, and the SIAS Client Audit Manager undertook to advise Members of the outcome.

In terms of the Audit Plan set out at Appendix C to the report, the SIAS Client Audit Manager stated that the IT Project Management and Sickness Absence Management audits had been re-scheduled from Summer 2019 to February 2020. The Housing Development Schemes and Queensway/Marshgate Redevelopment audits had also been re-scheduled at Management's request. The SIAS Client Audit Manager advised Members that re-scheduling these audits would make it more difficult to deliver this year's Audit Plan by 31 March 2020.

In respect of a Member's query regarding the High Priority Recommendations in relation to Cyber Security, particularly the Management Comment that it was "very rare (if ever) that someone connects an external device to the IT network", the SIAS Client Audit Manager agreed to clarify this comment with the ICT Strategic Partnership Manager and advise Members of the Committee.

It was **RESOLVED**:

1. That the Internal Audit Progress Report be noted.
2. That the amendments to the Internal Audit Plan, as at 25 October 2019, be approved.
3. That the status of Critical and High Priority Recommendations be noted.

## **6 MID YEAR REVIEW OF THE 2019/20 TREASURY MANAGEMENT STRATEGY**

The Finance Manager (Technical) presented a report in respect of the 2019/20 Mid

Year Treasury Management Review. She drew attention to Paragraph 4.3.2 of the report, which showed that all of the Council's £72Million cash reserves had been allocated. In addition, the Capital Strategy required external borrowing and currently £401,000 of General Fund capital schemes were on hold pending matching capital receipts.

In relation to Capital Financing Requirements, the Finance Manager (Technical) advised that due to changes in the accounting treatment of the Queensway lease, this would now be reflected in SBC's accounts, classed as technical borrowing. As the valuation of the Queensway asset had been reduced, the Council had not breached its borrowing limit.

The Finance Manager (Technical) referred to the Council's Minimum Revenue Provision (MRP) position and the revised MRP Policy set out at Appendix E to the report. This showed a level of MRP overpayments since 2012/13 of over £1M for regeneration and just under £12,000 for other assets.

It was **RESOLVED**:

1. That Council be recommended to approve the 2019/20 Treasury Management Mid Year review.
2. That Council be recommended to approve the latest approved Countries for Investments list (Appendix D to the report).
3. That the updated authorised and operational borrowing limits be approved (Paragraph 4.4.7 in the report).
4. That the updated MRP Policy be approved (Paragraph 4.4.10 and Appendix E to the report).

## **7 PROGRESS OF CORPORATE AND SERVICE GOVERNANCE ACTIONS**

The Corporate Performance & Improvement Officer (SB) presented a report in respect of the half-yearly progress of Corporate and Service Governance actions. She referred to Appendices A and B to the report, which provided progress reviews of 2019/20 Corporate Governance Actions and 2019/20 Service Governance Actions, respectively.

Members noted that, as usual, the Committee would receive a report on full year progress / outturn at its June 2020 meeting.

In response to a Member's question, the Corporate Performance & Improvement Officer (SB) advised that the policies and procedures in place to ensure that the Council ran effectively was measured against the CIPFA/SOLACE seven core principles of good governance set out in Paragraph 3.3 of the report.

It was **RESOLVED**:

1. That the progress to date of corporate governance action to strengthen the Council's corporate governance arrangements, as identified in the Council's 2018/19 Annual Governance Statement reported to the Audit Committee on 12 June 2019, be noted.
2. That the progress to date of service governance actions identified by the 2018/19 Service Assurance reviews carried out at business unit level to strengthen the Council's service governance arrangements reported to the Audit Committee on 12 June 2019, be noted.

## **8 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) JOINT STRATEGY UPDATE**

The Chair advised that relevant officers had been unable to attend the meeting to present the item and answer any questions.

It was **RESOLVED** that consideration of the ICT Joint Strategy update be deferred to the next meeting of the Committee in February 2020.

## **9 URGENT PART 1 BUSINESS**

None.

## **10 EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

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.

## **11 PART II MINUTES - AUDIT COMMITTEE - 10 SEPTEMBER 2019**

It was **RESOLVED** that the Part II Minutes of the Audit Committee meeting held on 10 September 2019 be approved as a correct record and signed by the Chair.

## **12 STRATEGIC RISK REGISTER**

The Committee received the Council's latest Strategic Risk Register, relating to Quarter 2 of 2019/20 (July – September 2019).

It was **RESOLVED**:

1. That the latest Strategic Risk Register (set out in Appendices A1 – A3 to the report) be noted.
2. That developments on risk management issues be noted.

**13 URGENT PART II BUSINESS**

None.

**CHAIR**