

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Wednesday, 8 September 2021

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: John Gardner (Vice-Chair in the Chair), Myla Arceno, Julie Ashley-Wren, Stephen Booth, Graham Lawrence, Nick Leech, Maureen McKay, Claire Parris and Loraine Rossati.
Mr Geoffrey Gibbs (Independent Co-opted Non-voting Member).

Start / End Start Time: 6.00pm
Time: End Time: 7.30pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence had been submitted by Councillor Teresa Callaghan (Chair).

There were no declarations of interest.

2 MINUTES - 8 JUNE 2021

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 8 June 2021 be approved as a correct record and signed by the Chair.

3 EXTERNAL AUDIT OF SBC ACCOUNTS 2019/20 - PROGRESS REPORT

Neil Harris from Ernest & Young (EY LLP) provided an update to Members on the External Audit of Accounts for 2019/2020, together with proposals for the External Audit of the 2020/21 Accounts.

Neil Harris advised that, whilst some progress had been made towards completing the audit of the 2019/20 SBC accounts, there were still some outstanding issues regarding the valuation of assets. The Strategic Director (CF) was currently in the process of finalising the "Going Concern" element, which was a new requirement to demonstrate that Councils would be stable financially until March 2023.

The Strategic Director (CF) commented that long-standing staff changes were continuing to impact on the valuation of assets area. The 2019/20 accounts would not be ready to present to the Audit/Statement of Accounts Committee meeting scheduled for 29 September 2021, as further consultation on the accounts would be required prior to final review.

In terms of the 2020/21 accounts, the Strategic Director (CF) stated that it was anticipated these would be finished in draft by the end of September 2021. EY LLP had confirmed that, provided this deadline was met, they would commence the audit

of those accounts in November 2021. EY LLP had also confirmed that the audit would be conducted by a fully-resourced team, although were mindful of the strain on the SBC Finance Team in view of the fact that November was an important month for Council budget setting.

Neil Harris explained that a capacity issue had been seen across many local government organisations and external auditors. Around 30 other 2019/20 local government audits carried out by EY LLP had not yet been concluded. EY LLP had made representations to various bodies, including the Ministry of Housing, Communities & Local Government and Public Sector Audit Appointments, seeking their views on what they considered to be an appropriate time of the year for public sector audits.

In response to a Member's question regarding audit capacity, Neil advised that this was a national problem across all Public Sector Audit suppliers, exacerbated by the increasing strain on Local Authority Finance Teams. However, the Ministry of Housing, Communities and Local Government (MHCLG) would be undertaking a national root and branch review of the issue.

In reply to a further question, the Strategic Director (CF) confirmed that the previous requirement had been for the unaudited accounts to be published by the end of May each year, to enable the external audit to take place thereafter (SBC had met this deadline up to 2020). The existing problems and delays regarding the 2019/20 accounts had been an unprecedented combination of staff turnover, a shortage of finance professionals and the impact of the Covid pandemic.

As there were still a number of outstanding queries on the 2019/20 accounts, together with the need to allow time for consultation and final review, it was confirmed that the Audit Committee/Statement of Accounts Committee meeting scheduled for 29 September 2021 would be cancelled.

It was **RESOLVED** that the verbal progress report on the external audit of the SBC accounts 2019/20 be noted.

4 SHARED ANTI-FRAUD SERVICE (SAFS) ANNUAL REPORT 2020/21

The Head of the Shared Anti-Fraud Service (SAFS) presented an annual report in respect of the Anti-Fraud Plan 2020/21.

The Head of SAFS advised that, with regard to the Covid-19 pandemic, SAFS had continued to provide support to the Council, both in tackling a significant increase in cybercrime activities and in relation to SBC's small grants schemes, which were at risk of fraud. All cybercrime activities had been reported to the National Fraud Centre, who would take action to take down the fraudulent websites.

With regard to the 2020/21 Anti-Fraud Plan/Annual Report, the Head of SAFS stated that all Key Performance Indicators (KPIs) for had been met, with the exception of the "Properties Recovered" target. This had been due to the Government decision to not evict tenants during the Covid lockdown.

The Head of SAFS commented that, although the level of reported fraud had declined during 2020/21, SAFS had issued fraud alerts to the Council on 31 occasions. 38 cases had been investigated and closed in the year, and 25 of those had been identified as fraud losses/savings totalling £195,000.

The Head of SAFS referred to the proactive work undertaken by SAFS during 2020/21, including fraud awareness training (e-learning) and a number of publicity campaigns carried out.

In response to a series of Member's questions, the Head of the Shared Anti-Fraud Service replied as follows:

- SAFS remote access to partner Council IT systems had improved;
- Members of the public, neighbours and Housing Officers were the major sources of SAFS being informed of empty or illegally sub-let Council properties, together with interrogation of relevant Council IT systems;
- The Key Performance Indicators for 2021/22 were similar to those for 2020/21 to allow for managing the workload within existing resources and to concentrate on good quality support and investigations, rather than trying to achieve unrealistic quantitative targets;
- In terms of whistleblowers, SAFS would only become involved should fraud be alleged by the whistleblower, and all non-fraud cases were the responsibility of the Strategic Director (CF); and
- It was confirmed that welfare fraud had remained stable throughout 2020/21; tenancy fraud had experienced some movement/fluctuation; and only one Covid-19 Support Grant application had been investigated for fraud.

In reply to a Member's request, the Head of the Shared Anti-Fraud Service undertook to provide that Member with a copy of an SBC Tenancy Agreement.

It was **RESOLVED**:

1. That the Council's work to combat fraud in 2020/21 be noted.
2. That the performance of the Shared Anti-Fraud Service (SAFS) in meeting its Key Performance Indicators in 2020/21 be noted.

5 SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2021/22 - PROGRESS

The Head of the Shared Anti-Fraud Service (SAFS) gave a verbal update regarding progress with delivery of the 2021/22 Anti-Fraud Plan.

The Head of SAFS stated that the 2021/22 Key Performance Indicators were on target. He advised that, as the end of August 2021, SAFS had received 44 fraud referrals and was currently handling 45 "live" cases, with an estimated fraud loss of £600,000. 29 cases had been closed in 2021/22 - £157,000 worth of fraud had been prevented and an estimated £55,000 of fraud losses were in the process of recovery. A prosecution was proceeding in respect of one fraudulent claim for Government Covid Grant financial assistance, and four Council properties had been

recovered due to breaches in tenancy agreements.

In relation to other matters, the Head of SAFS explained that anti-fraud training had been delivered to the Council's Housing and Environmental Health Teams; and that he would be submitting 4 documents (Revised Anti-Fraud and Corruption Strategy; Anti-Money Laundering Policy; Revised Whistleblowing Policy; and New Fraud Prosecution and Sanction Policy) to the November Audit Committee meeting for approval/endorsement.

In response to a Member's question, the Head of the Shared Anti-Fraud Service commented that it would be difficult to measure the level of fraud in Stevenage in comparison with other areas of the UK. The Strategic Director (CF) added that performance was related to the number of cases detected, but that this could not be quantified in relation to the total level of fraud (detected or undetected) in any given local authority area. She stated that there was a role for the Audit Committee to ensure that good governance and controls were in place when it received audit outcomes/recommendations from SIAS following audits of various service areas.

It was **RESOLVED** that the progress of Shared Anti-Fraud Service (SAFS) in respect of the Anti-Fraud Plan 2021/22 be noted.

6 SIAS INTERNAL AUDIT PLAN 2021/22 - PROGRESS REPORT

The SIAS Client Audit Manager presented a progress report with regard to the SIAS Internal Audit Plan 2021/22 (up to 20 August 2021).

The SIAS Client Audit Manager advised that, July 2021, audit reports had been issued in respect of Leasehold Properties 2020/21 (Satisfactory Assurance); Vehicle Workshop (Substantial Assurance); and North Road Development (Substantial Assurance). The table at Paragraph 2.3 of the report summarised the position with regard to the 21 audits proposed for 2021/22.

The SIAS Client Audit Manager referred to Paragraph 2.4 of the report, which set out the proposed changes to the audit programme, namely the deferral of the Council Housebuilding & Acquisitions Programme audit to 2022/23 and the addition of the Homes England Compliance audit.

The SIAS Client Audit Manager drew attention to the 4 High Priority Recommendations contained in the report, 3 of which had been implemented. He intended to report progress regarding the fourth Recommendation to the November meeting of the Committee.

It was **RESOLVED**:

1. That the SIAS Internal Audit Plan 2021/22 progress report be noted.
2. That the changes to the SIAS Internal Audit Plan 2021/22, as at 20 August 2021, be approved.
3. That the status of Critical and High Priority Recommendations be noted.

7 ANNUAL TREASURY MANAGEMENT STRATEGY - REVIEW OF 2020/21

The Strategic Director (CF) presented a report on the Annual Treasury Management Review of 2020/21, including the Prudential Code.

The Strategic Director began by pointing out two minor errors to the report, namely:

- Pie Chart at Paragraph 4.2.4.2 of the report – the figure for the Collection Fund should be “£12.2M) 16%”; and
- Table at Paragraph 4.2.6.1 of the report – should be headed “Investment balances 2017/18 to 2024/25”.

The Strategic Director (CF) advised that, in 2020/21, the Council’s investment balance were higher than normal, due to the temporary uplift caused by the Government’s Covid Support Grants. The Council’s average investment balance of £63M had earned £406,000 of interest, with an average interest rate of 0.65%. There had been Capital expenditure of £44.36M, some of which had been financed through borrowing. The Minimum Revenue Provision’s charge to the General Fund in 2020/21 was £275,775, as broken down in Paragraph 4.2.5.2 of the report.

The Strategic Director confirmed that a Member Training session on Treasury Management, primarily aimed at Executive and Audit Committee Members, but also open to all Members, had been arranged to take place on 14 October 2021.

In reply to Members’ questions, the Strategic Director (CF) explained the composition of “Other Allocated Reserves” set out in the pie chart at Paragraph 2.2.4.2 of the report; and confirmed that SBC investments were managed through external treasury management advisors, who would of course endeavour to seek the most advantageous interest rates possible on investments.

It was **RESOLVED** that, subject to any comments from the Executive, the 2020/21 Annual Treasury Management Review be recommended to Council for approval.

8 URGENT PART 1 BUSINESS

None.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That under Section 100A 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. That 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 - 8 JUNE 2021

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 8 June 2021 be approved as a correct record and signed by the Chair.

11 STRATEGIC RISK REGISTER

The Committee received the Council's latest Strategic Risk Register.

The Corporate Performance & Improvement Officer updated the Committee on changes to key risks and answered Members' questions.

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.

12 URGENT PART II BUSINESS

None.

CHAIR