

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 7 June 2022

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Teresa Callaghan (Chair), John Gardner (Vice-Chair), Myla Arceno, Stephen Booth, Alex Farquharson, Jackie Hollywell, Graham Lawrence CC, Maureen McKay and Loraine Rossati.

Start / End Time: Start Time: 6.00pm
End Time: 6.52pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Tom Wren and Mr Geoff Gibbs (Independent Co-opted Non-voting Member).

There were no declarations of interest.

2 ELECTION OF VICE-CHAIR

It was moved, seconded and, following a vote, **RESOLVED** that Councillor John Gardner be elected as Vice-Chair of the Audit Committee for the 2022/23 Municipal Year.

3 MINUTES - 28 MARCH 2022

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 28 March 2022 be approved as a correct record and signed by the Chair.

4 TERMS OF REFERENCE

The Committee received a tabled set of revised Terms of Reference, which contained minor amendments.

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 25 May 2022, and with the minor amendments as per the version tabled at the meeting, be noted.

5 2019/20 AND 2020/21 EXTERNAL AUDIT OF SBC ACCOUNTS - UPDATE

The Committee received a verbal update from Ernst & Young in respect of the 2019/20 and 2020/21 External audit of SBC accounts.

Neil Harris (Ernst & Young) reminded Members that, at the joint Audit

Committee/Statement of Accounts Committee meeting held in late February 2022, they were advised that the 2019/20 audit of accounts was substantially complete, with a target of the end of April 2022 for full completion.

Neil explained that since then a national issue had arisen regarding how expenditure on replacement infrastructure was accounted for in local authority accounts. CIPFA was currently consulting in respect of this issue. This was very much a technical exercise to ensure that there was no material understatement or overstatement of infrastructure assets. Ernst & Young was waiting for the conclusion of this consultation process before signing off the 2019/20 accounts.

Neil also referred to an actuarial error relating to the 2019/20 accounts with regard to an overstatement of the Pension Fund assets concerning the Hertfordshire Building Control Consortium. An appropriate correction would therefore be made to the 2019/20 accounts.

Neil advised that he had agreed with the Strategic Director (CF) that the aim would be to conclude the 2020/21 audit by the end of July 2022.

In respect of the 2020/21 audit, Neil commented that fieldwork would be continuing throughout July 2022, although the external audit plan for the 2020/21 accounts would need to be reviewed before being presented to the Audit Committee.

Neil informed the Committee that he would be leaving Ernst & Young in early September 2022 to take up a senior position with the Financial Reporting Council.

In reply to a question from the Chair, Neil confirmed that he was committed to the completion of the 2019/20 audit. Ernst & Young was in the process of reviewing their Engagement Leads for Local Authority auditing. He undertook to ensure a smooth handover of duties, and agreed to advise the Committee of the name of the new Engagement Lead once appointed.

It was **RESOLVED** that the verbal update from Ernst & Young regarding the 2019/20 and 2020/21 External audit of SBC accounts be noted.

6 ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2021/22

The SIAS Client Audit Manager presented a report in respect of the SIAS Annual Assurance Statement and Annual Report 2021/22.

The SIAS Client Audit Manager advised that, based on the results of the Public Sector Internal Audit Standards self-assessment, the Head of Assurance (Hertfordshire County Council) had concluded that SIAS “generally conforms” with internal audit standards. It was noted that “generally conforms” was the highest rating and meant that SIAS had a charter, policies and processes assessed as conformant to the standards and was consequently effective.

The SIAS Client Audit Manager stated that a reasonable assurance opinion had been issued regarding the Council’s financial and non-financial systems, and that SIAS had concluded that SBC’s corporate governance and risk management

frameworks substantially complied with the CIPFA/SOLACE best practice guidance on corporate governance.

The SIAS Client Audit Manager referred to the proposed Audit Charter, set out at Appendix D to the report, was unchanged from the 2021/22 version.

In response to a number of Member questions, the SIAS Client Audit Manager stated that:

- he accepted that the report was of a technical nature, and would endeavour to remove as many technical terms as possible from future versions;
- the efficiency/effectiveness of audits generally depended on the adequacy of audit fieldwork, which was led by an evidence-based approach. Audits were also subject to an internal quality review, as were any judgements made;
- in Paragraph 1.3 of the report, the phrase “business as usual” referred to the situation going forward, rather than suggesting that the Council had returned to its pre-pandemic position;
- he would ensure that the abbreviations “C, H, M and NA” shown in the Audit Plan (Appendix A) were explained earlier in the document in future versions; and
- in Paragraph 3.5 of the report, the Landlord Health and Safety Follow up audit did include Council tenanted and leasehold properties. It covered areas of building compliance, such as gas, electrical and water safety.

In relation to the cancelled IT Resilience audit, the Strategic Director (CF) advised that it was hoped that the resilience of the shared IT service would be addressed via the recently established Joint SBC/EHC ICT Executive Committee.

It was **RESOLVED:**

1. That the Annual Assurance Statement and Internal Audit Annual Report 2021/22 be noted.
2. That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. That the SIAS Audit Charter, as attached at Appendix D to the report, be approved.
4. That it be confirmed that the scope and resources for internal audit were no subject to inappropriate limitations in 2021/22.

7 ANNUAL GOVERNANCE STATEMENT 2021/22 AND LOCAL CODE OF CORPORATE GOVERNANCE

The Corporate Performance and Improvement Officer presented Annual Governance Statement (AGS) and Local Code of Corporate Governance for 2021/22.

The Corporate Performance and Improvement Officer advised that the AGS was required to be reviewed each year, and had to be published in draft by 31 July 2022. It described the Council's governance arrangements, how they were reviewed, significant governance challenges and actions to address them. She drew attention to the planned improvement activity for 2022/23 set out at the end of the AGS document.

The Corporate Performance and Improvement Officer stated that the Local Code of Corporate Governance had been drawn up in conformity with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government (2016)". The document had been reviewed, and the major changes were summarised in the table set out in Paragraph 3.2.4 of the report.

The Chair and Strategic Director (CF) thanked the Corporate Performance and Improvement Officer for her work on the report.

In response to a Member's question, the Strategic Director (CF) commented that the determination of what was in the "public interest" in terms of the AGS related to ensuring that the Council had the best possible governance principles in place to act in residents' best interests, including appropriate and robust controls, whilst recognising that actions could be implemented to achieve continuous improvement.

It was **RESOLVED**:

1. That the changes to the Council's Local Code of Corporate Governance, as attached at Appendix 1 to the report, be approved.
2. That the Council's 2021/22 Annual Governance Statement, as attached at Appendix 2 to the report, be recommended for approval by the Statement of Accounts Committee.

8 URGENT PART 1 BUSINESS

None.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED** that:

1. 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 involve 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 - 28 MARCH 2022

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 28 March 2022 be approved as a correct record and signed by the Chair.

11 STRATEGIC RISK REGISTER

The Corporate Performance and Improvement Officer presented a report providing the Quarter 4 2021/22 (January to March 2022) update in respect of the Strategic Risk Register.

The Corporate Performance and Improvement Officer, assisted by the Strategic Director (CF), responded to a number of questions raised by Members on the report.

It was **RESOLVED** that the latest Strategic Risk Register, as set out at Appendix A1 to the report, be noted.

12 URGENT PART II BUSINESS

None.

CHAIR