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AUDIT COMMITTEE

Date: Tuesday, 26 March 2024

Time: 6.00pm

Location: Council Chamber, Daneshill House, Danestrete, Stevenage

Contact: Ian Gourlay (01438) 242703

committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), C Veres (Vice-Chair), S Booth, L Briscoe, R Broom, N Chowdhury, A Farquharson, G Lawrence CC, Baroness Taylor of Stevenage, OBE CC and T Wren.
Mr S Uddin (Independent Co-opted Non-voting Member)

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 6 FEBRUARY 2024 AND 28 FEBRUARY 2024

To approve as a correct record the Minutes of the meetings of the Audit Committee held on 6 February 2024 and 28 February 2024.
Pages 3 – 12

3. 2021/22 AND 2022/23 VALUE FOR MONEY AUDITS - INTERIM REPORT

To consider an interim report on the 2021/22 and 2022/23 Value for Money audits prepared by Ernst & Young.
Page 13 – 38

4. LOCAL AUDIT DELAYS - UPDATE MARCH 2024

To update Members with current proposals from Department for Levelling Up, Housing and Communities (DLUHC) to address the backlog of local government audits in England and how these proposals may impact the Council.
Pages 39 – 72

5. SHARED ANTI-FRAUD SERVICE (SAFS) PROPOSED ANTI-FRAUD PLAN 2024/25

To consider the Shared Anti-Fraud Service's proposed Anti-Fraud Plan for 2024/25.
Pages 73 – 86

6. PROGRESS ON SAFS ANTI-FRAUD PLAN 2023/24

To consider progress on the SAFS Anti-Fraud Plan 2023/24.
Pages 87 - 94

**7. SHARED INTERNAL AUDIT SERVICE (SIAS) INTERNAL AUDIT PLAN
2024/25**

To consider the proposed Shared Internal Audit Service (SIAS) Internal Audit Plan for 2024/25.
Pages 95 – 110

8. CORPORATE GOVERNANCE ARRANGEMENTS

To consider an assessment of Corporate Governance arrangements.
Pages 111 – 124

9. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

10. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

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 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. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

11. STRATEGIC RISK REGISTER

To consider the latest Strategic Risk Register.
Pages 125 - 136

12. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 6 February 2024

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Maureen McKay (Chair), Carolina Veres (Vice-Chair), Lloyd Briscoe, Rob Broom, Nazmin Chowdhury, Alex Farquharson, Graham Lawrence CC and Tom Wren.

Start / End Start Time: 6.00pm
Time: End Time: 6.32pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

The Chair welcomed Paul Grady and Rebecca Lane from Azets (the external auditors appointed to audit the Council's 2023/24 Statement of Accounts) who were attending their first meeting of the Committee.

Apologies for absence were received from Councillor Stephen Booth and Baroness Taylor.

There were no declarations of interest.

2 MINUTES - 8 NOVEMBER 2023

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 8 November 2023 be approved as a correct record and signed by the Chair.

3 EXTERNAL AUDIT PLAN 2023/24

Paul Grady (Azets) presented the Council's proposed External Audit Plan for 2023/24.

Mr Grady referred to the Audit scope and general approach would include the concept of materiality, whereby any identified errors greater than £100,000 would be recorded and discussed with SBC and, if not adjusted, confirmed as immaterial as part of the Council's letter of representation to Azets.

Mr Grady drew attention to the significant risks of material misstatement, and highlighted the identified risks of Management override of controls, prior year opinion on the financial statements, fraud in revenue recognition and expenditure (rebutted), valuation of other land and buildings and investment property, and valuation of the defined pension fund net liability/asset, as well as a risk ("Other Risk 1") regarding the Council's income strip scheme.

In respect of the prior year opinion on the financial statements, Mr Grady stated that, as at the date of the writing of the 2023/24 Audit Plan, the Council had not been able to obtain an unmodified opinion from its predecessor auditor for the 2022/23 financial year. In addition, the opinions for the financial years 2021/22 and 2020/21 had not yet been issued. There was therefore a risk that issues not yet identified in the open audit years arose in the completion of those audits which may impact the current (2023/24) audit year. There was a further risk that, in the event that an “audit backstop” is implemented for 31 March 2024, the prior year period opinions may be qualified by a “limitation in scope” or disclaimed in full.

Mr Grady explained that, in the above eventuality, there may be limited assurances available over the Council’s opening balances which would involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others). Furthermore, significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years or at all. This may include management judgements and accounting treatment in respect of significant new schemes (such as major capital initiatives), changes to group structures or other significant accounting treatments which came into effect during the qualified or disclaimed period, going back to 2019/20.

It was noted that the potential absence of prior year assurance raised a significant risk of material misstatement at the financial statements level that may require additional audit procedures.

Mr Grady stated that procedures to be performed in order to mitigate the above risks of material misstatement would include:

- Considering the findings and outcomes of unfinished prior year audits and their impact of the 2023/24 audit;
- Considering the impact on Azets work of the impact of qualified or disclaimed audit opinions, particularly regarding open balances and “unaudited” transactions and management judgements made in the previous years which continued into 2023/24; and
- Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Mr Grady then referred to the Value for Money (VfM) arrangements section of the Audit Plan, and commented that no risks of significant weakness had yet been identified under the three VfM specified reporting criteria of Financial Sustainability; Governance; and Improving economy, efficiency and effectiveness.

Mr Grady outlined the timetable for the 2023/24 audit set out in the Plan and referred to the audit fees, as set out by the PSAA each year, which would include work on certification of the Council’s Housing Benefits claim. He concluded by drawing attention to Appendix 1 to the report, which confirmed the overall materiality levels for the financial statements and Performance materiality.

In response to a Member’s question, Mr Grady stated that the template used by Azets for the Audit Plan document was bespoke for SBC. In reply to a further

question, he provided an assurance that the resources to be allocated by Azets for the 2023/24 audit were robust to deliver the Plan on schedule, and that preliminary work had already commenced.

In reply to a question regarding the “other risk” set out in the plan referred to as “income strip scheme”, the Assistant Director (Finance) confirmed that this referred to the audit of companies which had been set up by the Council for certain activities. These companies were audited separately, but Azets were also required to audit them as part of the Council’s overall external audit.

It was **RESOLVED** that the External Audit Plan for 2023/24, as submitted by Azets, be approved.

4 INTERNAL AUDIT PLAN 2023/24 - PROGRESS REPORT

The SIAS Client Audit Manager presented a progress report with regard to the SIAS Internal Audit Plan 2023/24 (up to 19 January 2024).

The SIAS Client Audit Manager advised that 6 final audit reports had been prepared since 19 August 2023 which, together with their respective assurance levels, were set out in Paragraph 2.2 of the report. 24 audits were ongoing, 3 had recently been assigned, and 2 had been cancelled/deferred.

The SIAS Client Audit Manager stated that there was one High Priority recommendation regarding debt recovery, which was due for implementation by 31 March 2024.

The SIAS Client Audit Manager commented that Paragraphs 2.7 to 2.9 of the report provided performance management statistics. These showed that the 2023/24 Internal Audit Plan was on target, and that there was every expectation that SIAS would be delivering a robust annual assurance opinion at the end of the financial year.

In response to a question, the SIAS Client Audit Manager advised that SBC had a robust methodology for managing risks. The risks were “owned” by SBC Managers and the Strategic Leadership Team, and the role of SIAS was to provide independent assurance around the controls and risk mitigation to help the Council meet its objectives.

The Assistant Director (Finance) added that a Risk Management Group (including the Chair and Vice-Chair of the Audit Committee) met quarterly to review risks. There was also an Officer Governance Group, which also met quarterly. Quarterly financial reports were also submitted to the Executive, and Key Performance Indicators (including risk management) were regularly considered by the Strategic Leadership Team. Each Assistant Director/Senior Manager was expected to ensure that robust systems and processes were in place in advance of any internal audit, with the role of SIAS being to ensure that this was the case and, if not, to recommend appropriate action.

It was **RESOLVED**:

- 1 That the SIAS Internal Audit progress report be noted.
- 2 That the changes to the Internal Audit Plan be approved.
- 3 That the status of Critical and High Priority Recommendations be noted.

5. ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2024/25

The Assistant Director (Finance) presented a report in respect of the Annual Treasury Management Strategy including Prudential Code Indicators for 2024/25.

The Assistant Director (Finance) outlined the following points:

- There had been no breaches of the 2023/24 Treasury Management Strategy;
- There were no proposed changes to the 2024/25 Strategy; and
- The figures in the report reflected those in the recently approved Housing Revenue Account/Rent Setting report for 2024/25, as well those figures contained in the 2024/25 General Fund and Capital Strategy reports to be submitted to Council on 21 February 2024.

The Assistant Director (Finance) drew attention to the Council's Capital Expenditure and Financing, the Council's Borrowing needs, liability benchmark, and Minimum Revenue Provision (MRP), as set out in Paragraphs 4.6 to 4.10 of the report.

The Assistant Director (Finance) referred to two corrections to the report, as follows:

- Paragraph 4.1.1 - the sentence should read that the returns on investments had averaged 5%, not 3.48%, and the total interest earned was £1.9Million and not £1.29Million; and
- The table in Paragraph 4.15.1 should read that the total Housing Revenue Account (HRA) loans equalled £233.231Million and not £234.231Million, and the total Public Works Loan Board (PWLB) debt at 31 December 2023 equalled £234.987Million and not £224.987Million.

In reply to a Member's question regarding Audit Committee Member training, the Assistant Director (Finance) stated that the programme for this was agreed by the Committee itself. There had been training sessions on Treasury Management, Risk Management and Anti-Fraud during the latter months of 2023/24. Following the 2024 Borough Elections in May a new Audit Committee would be appointed, and it was hoped that further training would be carried out with Members of the Committee in the early part of the 2024/25 Civic Year.

It was **RESOLVED** that the 2024/25 Treasury Management Strategy be recommended to Council for approval.

6 URGENT PART I BUSINESS

None.

7 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.

8 PART II MINUTES - AUDIT COMMITTEE - 8 NOVEMBER 2023

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 8 November 2023 be approved as a correct record and signed by the Chair.

9 URGENT PART II BUSINESS

None.

CHAIR

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STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE

(MEETING JOINTLY- IN PART - WITH THE STATEMENT OF ACCOUNTS COMMITTEE)

MINUTES

Date: Wednesday, 28 February 2024

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), Carolina Veres (Vice-Chair), Stephen Booth, Lloyd Briscoe, Nazmin Chowdhury and Alex Farquharson.
Mr Syed Uddin (Independent Co-opted Non-voting Member).

Start / End Time: Start Time: 6.00pm
End Time: 7.15pm

1 APPOINTMENT OF PERSON TO PRESIDE

It was **RESOLVED** that Councillor Maureen McKay be appointed to preside over the meeting which was held jointly with the Statement of Accounts.

2 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Graham Lawrence CC, Baroness Taylor and Tom Wren. Councillor Forhad Chowdhury was substituting for Baroness Taylor.

There were no declarations of interest.

3 2020/21 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

The Audit Committee and Statement of Accounts Committee meeting jointly received a presentation from Assistant Director (Finance) on the Statement of Accounts 2020/21.

The presentation from the Assistant Director (Finance) included the following information:

- the changes since the draft and final Statement of Accounts, which mainly related to the SBC Pensions liability, the Local Enterprise Partnership soft (interest free) loan and fixed asset corrections;
- a chart showing the closing General Fund and Housing Revenue Account Balances;
- the impact of the Covid-19 pandemic on SBC finances, including on Business Rates income;

- an explanation of the £12.843Million movement on the General Fund and Housing Revenue Account budgets;
- the position with regard to earmarked and unusable reserves;
- a summary of the balance sheet, which showed 2020/21 net assets of £595Million, a variance of £20.8Million compared to 2019/20; and
- details of the Council's assets and liabilities;

The Assistant Director (Finance) stated that a report on a proposed "backstop" to the outstanding annual audits (2021/22 and 2022/23) would be submitted to the March 2024 Audit Committee meeting. It would be likely that only the 2021/22 and 2022/23 Value for Money audits would need to be completed by Ernst & Young, rather than full audits. The 2023/24 audit was due to be completed by Azets.

In response to Members' questions, the Assistant Director (Finance) advised:

- the Council had to provide a return to the Government on each of the Covid Grants administered and paid out during the year; and
- the £600Million valuation of Council properties was based on a Government formula, and was 35% less than market value due to the fact that the properties were classified as social housing.

Debbie Hanson (Ernst & Young) introduced the Audit Results Report (ISA 260) for 2020/21, and made the following points during her presentation:

- the audit was substantially complete, with outstanding issues relating to Going concern work and Property, plant and equipment valuations;
- the level of audit differences had reduced compared to the 2019/20 audit;
- the Committee was being requested to agree the draft letter or representation set out in the report, which would be finalised and signed once the audit was completed; and
- the delay to completion of the Audit was partly due to the Covid pandemic and resource / capacity issues.

Karen Cunanan (Ernst & Young) then went through the Executive Summary Section of the 2020/21 Audit Results Report, and made the following points:

- audit materiality had been set at a level of £2.04Million, with performance materiality at £1.02Million;
- in terms of the outstanding going concern issue, this related to a review of an updated assessment confirming the amount of cash and investment balances as at February 2024;
- the Property, plant and equipment valuations issue was related to the valuation of the parking area associated with the Cavendish Road Depot asset;
- the six unadjusted audit differences above £102,000 set out in the report were not material to the financial statements, but were required to be reported; and
- attention was drawn to the significant and higher inherent audit risks and Ernst & Young's findings and conclusions, as set out in the report;

In reply to a question regarding the Cavendish Road depot car park area, Debbie

Hanson stated that this area had not initially been valued as part of the overall asset by the Council's appointed valuer, but had subsequently been valued at £500,000. This estimate was still to be assessed by Ernst & Young's appointed valuer before a value could be agreed.

The Assistant Director (Finance) explained that the process for dealing with assets was being reviewed to ensure that no similar occurrences to the Cavendish Road depot car park issue happened in the future.

The Assistant Director (Finance) acknowledged the concerns raised by a Member regarding the number of audit differences, but commented that these occurred in the vast majority of audits, and those in the 2020/21 SBC audit were a relatively small proportion of the global figure set out in the Statement of Accounts.

In response to a question on audit fees, the Assistant Director (Finance) confirmed that the Council was not able to claw back part of the fee due to any delays in completion of the audit, as the fees were independently set by Public Sector Audit Appointments (PSAA) Ltd.

Debbie Hanson then referred to the document tabled at the meeting, which was the Draft Auditor's Annual Report for 2020/21. Much of this was similar to the Audit Results report, but she focussed on Section 4 of the document - Value for Money. She commented that the scope of this element of the audit was to assess the Council's Value for Money arrangements under the three headings of financial sustainability; governance; and improving economy, efficiency and effectiveness. The outcome of this assessment was set out in the report, and she confirmed that Ernst & Young did not identify risks of significant weaknesses in the Council's Value for Money arrangements for 2020/21.

In response to a Member's question, Debbie stated that all local authorities should maintain corporate/strategic and service level risk registers. The auditors would report adversely should any local authorities not have such registers in place.

At 19:06hrs the Statement of Accounts Committee **RESOLVED** to adjourn until the rise of the Audit Committee.

The Audit Committee expressed its support to the recommendations contained in the report.

It was therefore **RESOLVED**:

1. That the Chief Financial Officer be delegated authority, after consultation with the Chairs of the Audit Committee and Statement of Accounts Committee, to authorise changes to:
 - (i) the Council's Letter of Representation (Appendix 1 to the report), provided no matters arise from the conclusion of the audit which are material in nature.
 - (ii) the Statement of Accounts 2020/21 (Appendix 3 to the report), provided

no matters arise from the conclusion of the audit which are material in nature.

2. That the Audit Results Report to those charged with Governance for 2020/21 (Appendix 1 to the report) be noted.
3. That the Annual Governance Statement (Appendix 2 to the report) be recommended to the Statement of Accounts Committee for approval.

4 URGENT PART I BUSINESS

None.

5 EXCLUSION OF PUBLIC AND PRESS

Not required.

6 URGENT PART II BUSINESS

None.

CHAIR



Stevenage Borough Council Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

14 March 2024

14 March 2024



Stevenage Borough Council
Daneshill House, Danestrete
Stevenage
SG1 1HN

Dear Audit Committee Members

Value for Money Report 2021/22 and 2022/23

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for 2021/22 and 2022/23 for Stevenage Borough Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 26 March 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of Stevenage Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Stevenage Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Stevenage Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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BOARDROOM

01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Deputy S151 Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

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Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022 and 2023. In 2021/22 and 2022/23, our risk assessment procedures did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document for the General Fund and sets out the Council's strategic approach to the management of the General Fund including council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for leverage as set out in The Cooperative Plan, Future Town Future Council (FTFC) agenda and other strategic Council documents. The key aim of the MTFS is to facilitate the Council achieving the outcomes set out in those documents, by setting out principles which generate financial security targets, identify financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

The updates to the MTFS and preparation of the budgets for 2021/22, 2022/23 and 2023/24 have been challenging due to the level of uncertainty, along with the continued impact of covid and the impact of inflation. The Council was however able to set a balanced budget for 2021/22, 2022/23 and 2023/24. There was some use of the general fund balance to support the budget for each of these years, with the September 2021 MTFS showing use of £2.7 million of the general fund balance over 2021/22 and 2022/23. This was reduced to £1.4 million in the September 2022 MTFS and the actual outturn position for 2022/23 reduced the use of the general fund by £0.7 million. The 2023/24 budget also includes use of £1.1 million of the general fund balance. The use of reserves to support the general fund budget is not a sustainable strategy and the Council should ensure that the use of reserves in this way is minimised in future budgets. Despite this use of the General Fund to support the budget, overall the Council has been able to protect and maintain the level of general fund balance above the minimum level of £3.65 million recommended by the Chief Financial Officer. The level of the general fund reserve forecast as at 31 March 2023 in the MTFS improved from £3.7 million as at September 2021 to £4.9 million as at September 2022, and the final position, as reported in the 2022/23 outturn, was a balance of £5.9 million.

The budget and MTFS includes a number of savings targets, with the September 2022 MTFS including savings of £3 million over the period 2023/24 to 2025/26. The Council has a good track record and has achieved £11 million of cumulative savings since 2010/11. The delivery of savings is supported by the Make your Money County (MYMC) programme (previously the Financial Security Programme).

Financial plans for the HRA are set out in the HRA Business Plan and supported by the HRA Annual Rent Setting and Budget process. The Council's level of HRA balance is high (£25.6 million at 31 March 2021 and £28.5 million at 31 March 2022). This is in line with the HRA Business Plan and the requirement to repay HRA borrowing.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Authority is expected to have in place during the year ended 31 March 2022 and 2023. In 2021/22 and 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council has an effective Internal Audit function. Based on the work performed by internal audit on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, the Council has an adequate and effective framework in place. Internal Audit work has identified further enhancements to ensure that the framework remains adequate and effective.

The Internal Audit report on cyber security provided limited assurance and recommended that *'the Council review its cyber security functions in order to meet an adequate level of security to protect itself from any cyber security threats. Thereafter, the Council should seek appropriate accreditation to provide assurance for their cyber security. When the Council has completed its rollout of Windows 10, it should renew its PSN certification'* This risk is also noted in the strategic risk register, along with mitigations in place to reduce the overall risk rating. As this is an area which can have a significant impact across all areas of the Council's services management need to ensure that they respond to the Internal Audit recommendations as a priority.

A limited assurance report was also received in relation to the Internal Audit Landlord Health and Safety Follow Up. As the provision of housing is a key services provided by the Council responding to the recommendations in this report needs to given a high priority.

The Council published their draft 2021/22 financial statements on 29 July 2022, which is within the deadline in the Audit and Accounts regulations. For 2022/23, the draft financial statements were not published until the 12 February 2024. This was therefore significantly after the deadline of 31 May 2023 in the regulations. Officers have indicated that this is because they did not have the information they required in relation to the valuation of council dwellings and the IAS 19 pension liability to include in the accounts. As part of the finalisation of our value for money assessment, we will consider further the reasons for this and whether this represents a significant weakness in arrangements. We are also yet to complete some of our basic checks on the accounts, such as casting procedures and review of the disclosures checklist.

Conclusion: Based on the work performed, subject to obtaining further information related to the reasons for the delay in the publishing of the draft 2022/23 financial statements, we are satisfied that the Council had proper arrangements in place in 2021/22 and 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022 and 2023. In 2021/22 and 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

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- Quarterly financial monitoring reports to Executive Committee
- Quarterly FTFC and corporate performance status reports to Executive Committee
- Annual publication of the Statement of Accounts
- Publication of the Annual Governance Statement
- Publication of the Council's Annual Report

The Council works collaboratively with neighbouring councils in relation to services such as Building Control, Internal Audit, Housing Benefit and Procurement. These partnerships have delivered financial savings in the Council but have also built up additional operational capacity and resilience.

On 21 April 2022, the Regulator of Social Housing received information that raised concerns about health and safety compliance matters in relation to the Council's housing stock. Following meetings with the Council and submission of monthly updates to demonstrate progress towards completing electrical safety certificates and fire risk remedial actions, the Regulator informed the Council on 15 May 2023 that they have not found a breach of standards and therefore will be taking no further action.

In December 2023, the Secretary of State wrote to the Council's Chief Executive following a finding of severe maladministration by the Housing Ombudsman with regards to complaints received from a vulnerable resident which covered a period going back for 18 months. The Council has subsequently taken action to address the issue.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document for the General Fund and sets out the Council's strategic approach to the management of the General Fund including council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for Stevenage as set out in The Cooperative Plan, Future Town Future Council (FTFC) agenda and other strategic Council documents. The key aim of the MTFS is to facilitate the Council achieving the outcomes set out in those documents, by setting out principles which generate financial security targets, identify financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

Financial pressures affecting the general fund are identified in the MTFS and reflected in the strategic risk register. A review of risks and the MTFS is undertaken regularly through the year, taking into account the current economic environment. The risks are assessed based on the likelihood and impact and prudent projections of financial impact are embedded in the MTFS. During 2021/22 and 2022/23, the MTFS has been updated at least once to consider the impact of the Covid, inflation and identifies the actions that need to be taken by the management.

The updates to the MTFS and preparation of the budgets for 2021/22, 2022/23 and 2023/24 have been challenging due to the level of uncertainty, along with the continued impact of covid and the impact of inflation. The Council was however able to set a balanced budget for 2021/22, 2022/23 and 2023/23. There was some use of the general fund balance to support the budget for each of these years, with the September 2021 MTFS showing use of £2.7 million of the general fund balance over 2021/22 and 2022/23. This was reduced to £1.4 million in the September 2022 MTFS and the actual outturn position for 2022/23 reduced the use of the general fund by £0.7 million. The 2023/24 budget also includes use of £1.1 million of the general fund balance. The use of reserves to support the general fund budget is not a sustainable strategy and the Council should ensure that the use of reserves in this way is minimised in future budgets. Despite this use of the General Fund to support the budget, overall the Council has been able to protect and maintain the level of general fund balance above the minimum level of £3.65 million recommended by the Chief Financial Officer. The level of the general fund reserve forecast as at 31 March 2023 in the MTFS improved from £3.7 million as at September 2021 to £4.9 million as at September 2022, and the final position, as reported in the 2022/23 outturn, was a balance of £5.9 million.

Financial plans for the HRA are set out in the HRA Business Plan and supported by the HRA Annual Rent Setting and Budget process. The Council's level of HRA balance is high (£25.6 million at 31 March 2021 and £28.5 million at 31 March 2022). This is in line with the HRA Business Plan and the requirement to repay HRA borrowing

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

In 2021/22, The Cooperative Plan, Future Town, Future Council (FTFC) has been streamlined from nine programmes to five which include the Making Your Money Count (MYMC) Cooperative Plan. The MYMC Cooperative Plan is the programme used to ensure the Council remains financially resilient, whilst striving to deliver against its service and high-level ambitions across both the General Fund and the HRA. MYMC consists of four streams and will have different areas of focus each year:

- Transformation: improving customer access to services through digital means and improving and streamlining, including implementation of online first and the new customer model to improve the quality, availability and speed of service for customers.
- Co-operative Commercial and insourcing strategy: bringing services in-house if this provides better value for money and ensuring the Council charge appropriately for services. This has included initiatives such as filming rights, trade and bulky waste pricing changes.
- Efficiencies through robust monitoring: savings will be identified where they arise to ensure that Council stays financially resilient.
- Prioritisation of services: if there are not sufficient budget savings achieved from the other three work streams to achieve a balanced budget or new priorities emerge requiring funding.

The budget and MTFS include a number of savings targets, with the September 2022 MTFS including savings of £3 million over the period 2023/24 to 2025/26. The Council has a good track record and has achieved £11 million of cumulative savings since 2010/11. The delivery of savings is supported by the MYMC programme (previously the Financial Security Programme). The MYMC targets included in the MTFS were £1.9 million for 2021/22 and £0.8 million for 2022/23. The Council has been successful in delivering these savings.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Arrangements in place

The FTFC reflects the Council's ambitions and projects and articulates to the public the Council's key priorities and objectives that support the achievement of the FTFC programme over the next few years.

The FTFC consists of programmes that aim to deliver improved outcomes and real change for Stevenage residents. The FTFC programme also serves to enhance governance. The focus and scope of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities.

Where it has been possible and in line with the government's restrictions, key FTFC delivery programmes continued during the Covid-19 pandemic. The regeneration schemes at Queensway and Town Square continued to be progressed, with contractors working in accordance with government guidance. The Housing Development programme also continued on existing sites. A number of critical ICT projects also continued to be progressed as planned.

The FTFC was reviewed in 2021/22 and has been streamlined from nine programmes to five which include the following:

- Transforming our Town
- More Social and Affordable Homes
- Co-Operative Neighbourhoods
- Making Your Money Count
- A Clean, Green, Safe and Thriving Town

Progress against the Council's priorities are assessed on an annual basis and the outcome from this informs key decisions about where to focus the budget. The Annual Report summarises the Council's achievements over the past year and outlines what it plans to do in the next twelve months and is published on the Council's website.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council has a number of joint arrangements in place with other local councils to deliver the priorities set out in the FTFC programme and support the delivery of good quality services to residents. Finances are planned through the MTFP and budget setting processes. The Senior Leadership Team has been structured to drive the development of a sustainable, customer orientated and commercial operating model. The model is focused on delivering the right services to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models

The Council's MTFS is presented and approved alongside the budget and updated on a regular basis. The Council's Treasury Management Strategy, HRA Strategy and Capital Strategy are also approved each year. A quarterly monitoring of achievements/corporate performance reports are presented to the Executive Committee meetings.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The MTFS contains a dedicated section on risk management. It provides a description of inherent risks and their rating from low to very high. Initial risk ratings are based on inherent risks and the likelihood of them occurring. The MTFS is refreshed and updated to take into account changes such as increasing pressures in terms of demand for or costs of services and savings targets. In 2021/22 and 2022/23, the MTFS has been updated at least once to consider the impact of inflation and other pressures.

The Audit Committee also receives the Strategic Risk Register at every Committee meeting.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Council maintains a Strategic Risk Register. This provides a description of inherent risks and their rating from low to very high. Initial risk ratings are based on inherent risks and the likelihood of the risks occurring. The risk register is monitored and reported to every Audit Committee Meeting.

Delivery of the Council's Internal Audit is carried out by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council and managed by the Head of Assurance. Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control, risk management and governance in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework.

The SIAS operates to defined professional standards, i.e. the Public Sector Internal Audit Standards (PSIAS) and the Head of Assurance reports to the Council's Strategic Director (Chief Finance Officer and Section 151 Officer) providing updates on internal audit progress and issues at regular liaison meetings. The Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control and this is reported annually to Audit Committee. The main responsibility of SIAS is to provide assurance and advice on the internal control systems of the Council to both Management and Members. The SIAS reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary.

Internal Audit also supports management in developing systems by providing advice on matters pertaining to risk and control.

In 2021/22 and 2022/23, SIAS issued an overall 'Reasonable assurance' opinion for financial and non-financial systems.

The Council also has a Data Quality Policy which outlines the Council's commitment to ensuring data quality and arrangements are in place to monitor and enhance the quality of performance data.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

Arrangements in place

The Council is required to set a balanced budget each year. The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a consultation period.

The timescale required to implement this process is outlined below:

- November - Financial Security Report with the three year savings proposals for the General Fund and HRA to be presented to Executive, and Overview and Scrutiny Committees
- December - Draft HRA Budget and rent setting report to be presented to Executive and Overview and Scrutiny Committees
- January - Final HRA Budget and rent setting report and Draft GF Budget /Council Tax/ Council Tax Support to be presented to Executive, Council, and Overview and Scrutiny Committees
- February - Final GF Budget/ Council Tax/ Council Tax Support to be approved by Executive Committee, Council, and Overview and Scrutiny Committee

The Council has evolved its budget strategy to meet the ongoing challenging economic conditions whether because of funding reductions, welfare reforms or inflationary increases as well as to meet the financial impact of Covid. The financial strategy to address these challenges is the 'Making Young Money Count' strand of 'Future Town Future Council'.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council's framework of internal financial control is supported by Financial Regulations and Contract Standing Orders. The regulations provide the framework for managing the Council's financial affairs. They set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services. The Council's Financial Regulations and Contract Standing Orders were last reviewed and agreed by Executive in July 2020.

As noted above, the Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control and this is reported annually to Audit Committee. The main responsibility of SIAS is to provide assurance and advice on the internal control systems of the Council to both Management and Members. The SIAS reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

Whilst the Head of Assurance opinion is only provided on an annual basis, a regular progress report on Internal Audit work is presented to the Audit Committee. This provides an update on the status of the work and any issues that have been noted from the work performed. Implementation of corrective actions based on recommendations are also reported to the Audit Committee. In 2021/22 and 2022/23, SIAS provided satisfactory opinion on the financial and non-financial systems of the Council.

Internal Audit issued two limited assurance reports during 2021/22 and 2022/23, one on cyber security and one on the Landlord Health and Safety Follow Up review. Responding to the recommendations in these reports needs to given a high priority.

In addition to the above, monitoring of budget versus actual are also reported to the Executive Committee meetings on a quarterly basis.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council has structured its processes and procedures for the Executive and Scrutiny Committees and other Committees, such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations.

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive Committee
- Quarterly FTFC and corporate performance status reports to Executive Committee
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- Publication of the Council's Annual Report

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as underpinning all local government activity. The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols.

The Council's website outlines the arrangements for making a complaint that a member of the Council has failed to comply with the Code of Conduct and sets out how the Council will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

The Council has a Standards Committee to promote and maintain high standards of conduct by Members of the Council and deal with any allegations that a member is in breach of the Council's Code of Conduct and to consider changes to the Code as required.

The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

The Council's six organisational Values are underpinned by a behaviour framework for staff. The values are intended to influence the ways in which elected Members and officers think and behave in responding to future challenges. The Values are embedded into Member and Officer Induction, regular officer meetings with their managers, the Modern Member training programme and the management development programmes. A set of desired behaviours associated with each of the Values has been developed and form part of the Council's appraisal process for officers.

The Council has a Whistle-blowing Policy which is based on the Public Interest Disclosure Act 1998 as well as an Anti-Fraud and Corruption Policy, and new Anti-Money Laundering and Anti-Bribery Policies. The Council's website and intranet have options for the public and staff to report suspected fraud that link to the Shared Anti-Fraud Service webpage.

At each start of the Committee meetings, members/officers are required to declare interests.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

Arrangements in place

The performance and quality of each FTFC programme is monitored through a monthly Programme Board. The corporate programme is monitored through assessment of progress against target for a set of corporate performance measures aligned to service priorities.

A performance management framework monitors performance measure results associated with the FTFC Programme together with measures to monitor the delivery of effective services (the corporate programme).

A performance and governance system is used to monitor performance and risk and is providing improved insight into corporate priority delivery. The system provides a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

The status of performance for both the FTFC programme and the corporate programme with proposed improvement plans, where necessary, are discussed by senior management prior to Executive on a quarterly basis. In addition the Executive receive separate regular updates on the Council's financial position and quarterly overview reports.

A Performance Guide is available to staff on the Council's intranet. The guide sets out the Council's approach to:

- Identifying appropriate performance measures aligned to corporate and services priorities and resource
- Monitoring and reviewing performance measure results to help identify activity to improve outcomes for the community
- Identifying and celebrating business achievements
- Identifying and managing risk
- Ensuring that the overall governance of the organisation is robust.

All of this information provides business insight that helps to drive improvement and deliver outcomes that benefit the community.

The Council also has a Data Quality Policy which outlines the Council's commitment to ensuring data quality and arrangements are in place to monitor and enhance the quality of performance data.

The report from SIAS is also used in identifying areas of improvement.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive Committee
- Quarterly FTFC and corporate performance status reports to Executive Committee
- Annual publication of the Statement of Accounts
- Publication of the Annual Governance Statement
- Publication of the Council's Annual Report

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council is part of the following significant partnerships :

1. Reef - related to the redevelopment of Queensway in the town centre
2. Herts Local Enterprise Partnership & Chamber of Commerce and Hertfordshire Growth Board
3. Mace Developments - who are involved in the SG1 regeneration scheme for the Council's offices

The Council is also part of a number of shared service arrangements with other councils, which include legal shared services (shared with Hertfordshire County Council), Building Control, Internal Audit, Housing Benefit and Procurement. These partnerships have delivered financial savings in the Council but have also built up additional operational capacity and resilience.

Internal Audit undertake regular reviews of procurement, contract management and project management. These reviews have included assessment and evaluation of:

- Stevenage bus interchange
- Regeneration - SG1
- Procurement activity
- Partnerships/shared services

Internal Audit provides recommendations and follows up on status of implementation.

In 2020/21, Hertfordshire Growth Board Joint Committee and Hertfordshire Growth Board Scrutiny Committees were established as Joint Committees. In addition, a new Hertfordshire Growth Board Integrated Governance Framework has been adopted and incorporated into the Council's Constitution. A North East and Central Hertfordshire Growth Board has also met to agree a forward plan of work.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

On 21 April 2022, the Regulator of Social Housing received information that raised concerns about health and safety compliance matters in relation to the Council's housing stock. Following meetings with the Council and submission of monthly updates to demonstrate progress towards completing electrical safety certificates and fire risk remedial actions, the Regulator informed the Council on 15 May 2023 that they have not found a breach of standards and therefore will be taking no further action.

In December 2023, the Secretary of State wrote to the Council's Chief Executive following a finding of severe maladministration by the Housing Ombudsman with regards to complaints received from a vulnerable resident which covered a period going back for 18 months. The Council has subsequently taken action to address the issue.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

All contracts entered into by the Council are required to comply with the Contract Standing Orders set out in Part 4 of the Council's Constitution.

As noted above, Internal Audit also undertake regular reviews of procurement, contract management and project management. These have included reviews of:

- Stevenage bus interchange
- Regeneration - SG1
- Procurement activity
- Partnerships/shared services

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JKC-024050 (UK) 07/22. Creative UK.

None

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Meeting **AUDIT COMMITTEE**

Portfolio Area: Resources and Transformation

Date: **26 March 2024**



LOCAL AUDIT DELAYS – UPDATE MARCH 2024

NON-KEY DECISION

Author – Rhona Bellis
Contributor – Brian Moldon/Clare Fletcher
Lead Officer – Brian Moldon
Contact Officer – Brian Moldon

1 PURPOSE

1.1 To update Members with current proposals from Department for Levelling Up, Housing and Communities (DLUHC) to address the backlog of local government audits in England and how these proposals may impact the Council.

2 RECOMMENDATIONS

2.1 That Members note the contents of this report.

3 BACKGROUND

3.1 Local Audit Delays

3.1.1 There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. This backlog impacts decision making, transparency and accountability to local tax payers.

3.1.2 The number of outstanding opinions (all years – National) peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog.

3.1.3 In July 2023, the Minister for Local Government published a [Cross-System Statement](#) (Appendix B) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of

local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

3.1.4 On 8 February 2024 the Department for Levelling Up, Housing & Communities (DLUHC) and the National Audit Office (NAO) published the [Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit](#) (Appendix C). Three consultations on these updated proposals closed on 7 March 2024.

- DLUHC - on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts and
- NAO - seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.
- CIPFA LASAAC - on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on finance teams and auditors.

3.1.5 Stevenage Borough Council currently has three years’ worth of accounts 2020/21, 2021/22 and 2022/23 that have yet to be audited by the Council’s external Auditor EY. The 2020/21 audit is expected to be completed by the end of April 2024 and have been to the Statement of Accounts committee on the 28 February 2024 where the draft accounts were noted and delegated to the Strategic Director of Resources and Chair of the Statement of Accounts committee to sign off, following the closure of outstanding auditors queries.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 DLUHC and NAO Proposals (summary)

4.1.1 That the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation’s financial controls and financial reporting, as well as financial resilience, governance and risk. This should allow auditors to maximise level of assurance and focus on the most recent financial information.

4.1.2 The proposals consisted of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
- 4.1.3 Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.
- 4.1.4 Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. This will apply to the 2021/22 and 2022/23 audits.
- 4.1.5 Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.
- 4.1.6 To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. These additional backstop dates are:
- Year ended 31 March 2024: 31 May 2025
 - Year ended 31 March 2025: 31 March 2026
 - Year ended 31 March 2026: 31 January 2027
 - Year ended 31 March 2027: 30 November 2027
 - Year ended 31 March 2028: 30 November 2028
- 4.1.7 To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC consulted on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:
- Extending the override relating to the valuation and disclosure requirements for infrastructure assets
 - Simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's

thematic review of the valuation of non-investments assets in the public sector

- Reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

4.1.8 The potential introduction of backstop dates does not preclude the legal responsibilities for councils to publish unaudited accounts (by 31 May each year) and hold the 30-working day inspection period for local electors.

4.1.9 Further, longer term work, based on recommendations of the [Redmond Review](#), is required to address the systemic challenges that have led to the current local audit backlog.

- CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.
- HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.
- The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

4.2 The Council's Current Audit plan

4.2.1 The current audit completion deadlines being worked towards by EY are:

- 30 April 2024 – 2020/21 Stevenage Statement of accounts (SOA)

The Draft SOA accounts for 2020/21 were approved by Statement of Accounts Committee on 28 February 2024. EY are in the process of completing the audit of that year by the deadline above.

4.2.2 EY responded to the DLUHC proposals in a letter to s151 officers dated 6 December 2023 (an update to an earlier letter dated 26 July 2023) in which EY outlined their approach to implementing the "draft" proposals (**Appendix A**). For the council they are...

- To complete open audits – i.e. the completion of the 2020/21 audit

- To complete Value for Money reporting up to 2022/23 – this work has now been substantially completed for Stevenage BC and an item is on this agenda for Members to consider.
- 4.2.3 For the Statement of Accounts for the years 2021/22 and 2022/23 EY has indicated that their priority is to complete all outstanding audits that has already been started, and any not yet commenced audit work (for Stevenage 2021/22 and 2022/23), EY will look to issue disclaimer opinions based on limitation of scope and these will be brought to members in September 2024. This is despite the backstop date for 2021/22 and 2022/23 being set as September 2024 with the aim to conclude as many audits as possible nationally.
- 4.2.4 The Council's new auditor Azets have completed planning work on the 2023/24 accounts including interim audit in early March 2024. Their current audit plan is for the accounts to be audited and signed by 30 November 2024. This will be ahead of the deadlines currently proposed by DLUHC. The impact of unmodified opinions in the years up to 2023/24 are included in the audit plans of Azets.
- 4.3 The Future**
- 4.3.1 CIPFA is consulting on and exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained.
- 4.3.2 There are also seen to be advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. The Council currently prepares information for this consolidation in conjunctions with the preparation of the statement of accounts.
- 4.3.3 The CIPFA consultation (closing date 28 March 2024) and further work planned by CIPFA to reduce accounts preparation and audit work for 2023/24 onwards will not have a positive impact for 2023/24 on the work of the finance team in closing the 2023/24 SOA as the consultation closes 28 March 2024 and then the findings will need to published, despite the 2023/24 unaudited publication date being 31 May 2024. .
- 4.3.4 The potential use of indexing as a proxy to external professional valuations of plant, property and equipment may have been beneficial but external valuers have already been engaged as part of the closedown 2023/24 planning process. Assets are valued as of 31 March 2024 which is 3 days after the consultation closes and before any results of the consultation are published. The guidance

also says that Council's may want to index from their last published accounts which would be currently 2019/20, which maybe out of date.

The other proposed change is to simplify the pension entries in the SOA, the finance team would welcome this temporary change, however as above the timing of the outcome of the consultation is key.

4.3.5 There may be benefits in future years because of the work CIPFA are undertaking. At the time this report is written, the impact of any changes is unknown.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The reduced audit work relating to the SOA for 2021/22 and 2022/23 should feed into reduced fees for those two years. How much that will equate to has yet to be agreed by the Public Sector Audit Appointments (PSAA). EY has done VFM work in relation to those years which adds complexity.

5.1.2 The impact on future audit fees should now be limited as issues arising from the backlog of audits is included in the audit planning of AZETS. The continuing demands on internal resources of managing multiple open years of accounts and more than one set of auditors will remain until at least September 2024.

5.2 Legal Implications

5.2.1 None at this proposal stage

5.3 Risk Implications

5.3.1 The imposition of statutory deadlines to curtail audit activity increases the risk of accounts being qualified only on the basis of this curtailment for 2023/24 and for future years.

5.3.2 Qualification as a result of these proposals may not be fully understood by users and have a negative impact on the reputation of the council and its financial management.

APPENDICES

- Appendix A - EY Local Audit Market update Dec 2023
- Appendix B - Local Audit Delays Cross-System Statement
- Appendix C - Local Audit Delays – Joint Statement on update to proposal to clear the backlog (Feb 24)

6 December 2023

Dear Section151 Officer colleagues

Local Audit market update

I am writing as a follow up to my letter of 26 July 2023 about Government proposals to re-establish the local authority audit framework on a more sustainable basis, with a focus on providing assurance on public bodies' most recent financial information.

The proposals were referenced in a ministerial statement over the summer, but formal guidance from the Department for Levelling Up, Housing & Communities (DLUHC) and the Financial Reporting Council (FRC), as the incoming shadow system leader, are still pending. As such, I wanted to use this opportunity to update you on EY's approach and how we are prioritising our delivery to best prepare for implementation of the proposals.

About the proposals

The challenges facing the existing framework for local authority audit are well-documented and have been highlighted by auditors, the Redmond Review, the National Audit Office, the Public Sector Audit Appointments Ltd (PSAA), the Local Government Association and Parliament. The problem continues to grow. Recently, the PSAA reported that only 5 out of 467 Local Government bodies received a 2022/23 audit opinion by 30 September 2023, taking the total outstanding opinions to around 918.

The Government's proposals will help to reset local authority audit, with auditors able to focus on providing assurance on public bodies' most recent financial statements. Additionally, there will be benefits to authorities in reducing demands on your teams by allowing them to focus on the most recent financial year.

Since the cross-system ministerial statement EY has invested significantly in engaging with DLUHC and the FRC, as well as other stakeholders to support the reset and recover the local audit market. Whilst we cannot pre-empt the final ministerial guidance, and the below may be subject to change, we understand that the proposals will still seek to:

- Use legislation to set statutory deadlines (backstop dates) for account preparers and auditors to clear the backlog, acknowledging this will result in qualifications and disclaimers of opinions in the short term. This is currently expected to be 31 March 2024.
- Continue to require auditors to report on value for money, alongside existing statutory powers.
- Find a sustainable solution for the future, which may require:
 - Changes to the CIPFA code for preparation of accounts;
 - An audit approach that seeks to rebuild assurances on account balances over a period of time rather than in the first year following a qualification (disclaimer or scope limitation);
 - Developing an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines; and
 - Continued investment in the capacity in the audit market.

Our approach

Following the ministerial statement in July and the continuing expectation of a 31 March 2024 backstop date for the completion of all outstanding audits to 2022/23, we have taken a number of steps to support the delivery of consistent high-quality audits and prepare for implementation of the proposals. These include:

- **Maximising the completion of historic audits** – working to close open audits where audit work is substantially complete and with a high likelihood of issuing an opinion in a short period of time. Currently, the delivery of these audits is likely to be phased through to early 2024.
- **Pension fund audits** – These audits are not subject to the reset of the system; we continue to prioritise completion of all these audits to 2022/23.
- **Value for Money reporting** – As there are no anticipated changes to value for money reporting requirements, auditors' exception reporting responsibilities and statutory powers we continue to prioritise the completion of our reporting up to the 2022/23 financial year. Given the increasing focus on the financial sustainability of the local government sector, as well as a focus on those authorities who are seen to be at greater risk of not achieving value for money, this is an important priority in providing necessary assurances to stakeholders.
- **Planning for 2023/24 audits** – Where capacity allows, we will seek to commence planning for 2023/24; focusing on the most recent set of financial statements and supporting the reset.

This clarity in approach has enabled us to successfully close out a higher proportion of historic audits over the last few months, seeking to maximise the level of assurance provided whilst we await further statements and/or consultations on the proposed measures to reset the local audit system. It also means that we are focused on areas of the audit that will either provide or contribute to a final reporting deliverable to you.

We are continuing to engage with DHLUC and the FRC on the proposals and will continue to review our approach as more information becomes available.

Preparing for the proposals – our ask of you

To ensure we can respond positively and quickly when the Government proposals are finalised, it would be helpful if you could continue to do the following:

- **Stakeholder engagement** – Ensure key stakeholders in your organisation are sighted on the Minister's proposals and recent communications, including this letter, so that they are apprised on the status and decisions being made.
- **Flexibility** – We understand that the issues experienced by the preparers of financial statement and auditors over the last few years have been difficult to manage, and that collectively we have a finite level of capacity. We ask that you continue to work with us on the priority areas above.
- **Financial statement preparation** – We know that there are some authorities where draft financial statements through to 2022/23 have not yet been prepared and subject to an inspection period. If you are one of those authorities, this needs to be prioritised to meet your statutory responsibilities regardless of the last year of audit. Failure to do so may also prevent our ability to close out historic audits and issue an opinion as part of the proposed reset, as well as being able to move forward with your 2023/24 audit within the required timelines.
- **Planning for 2023/24 year-end** – Acknowledging that it has been a while since we have all operated under traditional delivery deadlines, we would like to engage with you to ensure the effective reset and recovery from the 2023/24 financial year. Going forward, it will be important to agree joint protocols for ways of working, as well as expectations on accounts and audit preparation and delivery.

Audit plays a vital role in underpinning trust, transparency, and confidence in local government bodies; EY is committed to our role in serving the public interest by delivering consistent high-quality audits. As we collectively navigate through the proposals and this period of uncertainty, I wanted to thank you for your engagement to date. The proposed system reset offers all stakeholders an important opportunity to move forward. We remain committed to achieving the reset of the local audit system and look forward to continuing to work collaboratively with you over the coming months.

If you or your elected members have any questions or would like to discuss any aspect of this letter, please don't hesitate to contact me or your key audit partner.

Yours sincerely



Stephen Reid
Partner, UK Head of Public Sector Audit
for and on behalf of Ernst & Young LLP

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APPENDIX B

LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.¹ In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,² in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

¹ [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

² Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

Commitments by system partners

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
 - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
 12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits³ (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
 13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
 14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
 15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
 16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.⁴ The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
 17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

³ An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

⁴ ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

LONGER TERM CHANGE

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC⁵ board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

⁵ Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FRoM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

Conclusion

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023

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Open consultation

Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit

Published 8 February 2024

Applies to England

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This publication is available at <https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>

Executive summary

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](https://committees.parliament.uk/publications/40932/documents/199432/default/)

(<https://committees.parliament.uk/publications/40932/documents/199432/default/>) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users distinguish between modified and

disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VFM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#)

(<https://committees.parliament.uk/publications/40932/documents/199432/default/>)

setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

Phase 1: Reset

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.

6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.

7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.

8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.

9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.

10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work,

including NHS external audit work, most of which will take place between April and June 2024.

12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.

13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example, if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

Phase 2: Recovery

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing

deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30

November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

Consultations to deliver Phase 1 and Phase 2

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

Commitments by the FRC to support delivery of Phase 1 and Phase 2

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits](https://www.frc.org.uk/news-and-events/news/2023/12/frc-publishes-report-on-the-quality-of-major-local-audits-amid-delays-in-local-government/) (<https://www.frc.org.uk/news-and-events/news/2023/12/frc-publishes-report-on-the-quality-of-major-local-audits-amid-delays-in-local-government/>). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide

further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

Commitments by ICAEW

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

Commitments by PSAA

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to

pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

Expectations of auditors and local bodies to deliver Phase 1 and Phase 2

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have

been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

Phase 3: Reform

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review](https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review) (<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

Conclusion

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious

measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

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Stevenage Borough Council

Audit Committee

2024/25 Anti-Fraud Plan

Purpose

- 1 This report provides members with details of the Councils Anti-Fraud Plan for 2024/25.

Recommendations

- 2 **The Committee is RECOMMENDED to:**
 - I. **Review and approve the Anti-Fraud Plan for 2024/25.**

Background

- 3 Recent reports have been provided to officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. This document replaces the previous 2016-2019 Strategy on which all current Anti-Fraud Plans are based however, much of the format/themes/content of the previous document are retained with key changes being around the governance and 'ownership' of anti-fraud and corruption arrangements.

The Public Sector Fraud Authority 2022/23: Building for Success. The government has created the Public Sector Fraud Authority to transform the way that the government manages fraud. The PSFA works with departments and public bodies to better understand and reduce the impact of public sector fraud.

UK Fraud Strategy 'Stopping Scams and Protecting the Public. The Government launched its latest strategy in 2023 aimed at bringing government and the private sector together to tackle fraud, the pursuit and punishment of fraudsters, providing more recognition of fraud and how to avoid it.

Lost Homes, Lost Hope. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023 uses previous data and research to estimate the current cost to local government of tenancy fraud along with the volume of fraud across the sector. The SAFS Partners have adopted the value of fraud loss used in this academic piece when reporting 'tenancy fraud'.

- 4 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England continue to increase and more needs to be done to protect the public purse.
- 5 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

- 6 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 7 Stevenage Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS, and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.

Report

Anti-Fraud Plan 2024/25

- 8 The reports and papers mentioned at section 3 above and guidance from National Audit Office (NAO) and the Department for Levelling Up Housing and Communities (DLUHC) recommend that organisations have effective and robust counter fraud and corruption measures. These measures require the acknowledgement of fraud and corruption as a tangible risk, policies and procedures to deter and prevent fraud and resources to investigate fraud and recover losses. Above all an organisation should have a plan outlining how it will protect itself against fraud and corruption.
- 9 Council officers and SAFS management develop and agree an **Anti-Fraud Plan** each year and the proposed plan for 2024/25 is presented at **Appendix A**.

The Plan and Fighting Fraud and Corruption Locally

- 10 The Anti-Fraud Plan has been designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. The plan identifies officers and members who are charged with delivering it.
- 11 The plan identifies officers/members who will have a role in delivering it and SAFS will work with all concerned to ensure they fully understand their role in delivering the Plan and supporting the FFCL strategy.
- 12 Members will note in the Plan that this Committee has a role in ensuring that the Council meets its objectives.
- 13 The Plan includes KPIs for SAFS that will be monitored across the year.

Counter Fraud Funding and Resources 2024/25

- 14 At pages 4 – 7 of the main body of the Plan (**Appendix A**) details are provided of all funding on counter fraud in 2024/25 and how this will be divided across service areas.

- 15 We have worked closely with those service areas where we perceive the highest risk of fraud to be and agreed projects and work-pans that reflect the specific fraud risks raised by senior managers in those areas and SAFS management.
- 16 Page 8/ schedule B of the Plan references SAFS KPIs and the Standards of Service agreed with Council officers.
- 17 SAFS will maintain its relationship with third party specialist providers and national networks to keep the Council informed of new and emerging fraud threats or changes to best practice that assist in deterring/preventing fraud and corruption.
- 18 SAFS will continue to work closely with Council officers working in those services mentioned in the Plan.

Appendices

- 19 The following appendices are attached to this report:-

Appendix A – Stevenage Borough Council Anti-Fraud Plan 2024/25.

List of Background Papers - Local Government Act 1972, Section 100D

- (a) ***Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)***
- (b) ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)***
- (c) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (d) ***Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)***
- (e) ***Fighting Fraud - Breaking the Chain (Report of Session 2022-2023 House of Lords)***
- (f) ***HMG Fraud Strategy - Stopping Scams, Protecting the Public (May 2023)***
- (g) ***Lost Homes, Lost Hope (Fraud Advisory Panel 2023)***

Stevenage Borough Council

Anti-Fraud Plan 2024-2025

In partnership with

The Hertfordshire Shared Anti-Fraud Service



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Introduction

This plan supports the Council's **Anti-Fraud and Corruption Policy** by ensuring that Stevenage Borough Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's published Anti-Fraud and Corruption Policy states;

The Council is committed to the prevention and detection of fraud and corruption, whether from within or outside the organisation and the aims of this document are to:

Be clear that the Council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.

Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.

Detail the responsibilities of employees, management and Members with regard to fraud and corruption.

Assist the relevant Strategic Directors in fulfilment of their roles as the Council's S151 Officer and as the Council's Monitoring Officer.

Explain the role of Council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all its dealings and has adopted Codes of Conduct for Members and officers.

This plan includes objectives and key performance indicators that support the Council's Policy and follows the latest best practice/guidance/directives from the Department for Levelling Up Housing and Communities (DLUHC), National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and Fraud Advisory Panel indicating that the threat of fraud against local government is both real, causing substantial impact (including reputational, service as well as financial) and should be prevented wherever possible.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021/22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn. These figures are more recent, but still dated with the overall financial impact on local government between 2020 and 2024, they do however reflect the ongoing significant risk of fraud that local authorities face.

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020’s*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. A copy of the *Strategy* can be found at <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally>

The *Strategy* complement work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 including the four ‘Pillars’ of **Govern Acknowledge, Prevent, Pursue** with an overarching aim of **Protect**:

For the Council this includes protecting public funds it administers and protecting the Council and its residents against fraud and cybercrime.



Anti-Fraud Plan 2024-2025

The Council's Anti-Fraud Plan will be managed by the Hertfordshire Shared Anti-Fraud Service (SAFS), but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered and the Council protected against acts of fraud and corruption.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services and in particular by sharing information and knowledge. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud.

The Anti-Fraud Plan for 2024-2025 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Council's Audit and Governance Committee. A break-down of work included in the Plan can be found at **Appendix A** along with the officers with responsibility for ensuring the plan is delivered.

SAFS Resources 2024-2025

Anti-Fraud Arrangements

The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. The SAFS Partnership, as well as Stevenage Borough Council, includes Broxbourne Borough Council, Hertsmere Borough Council, Hertfordshire County Council, Luton Borough Council, North Herts Council, North Council and Welwyn and Hatfield Council. The SAFS also provides services to other public sector bodies across Hertfordshire.

The SAFS Core Service is made up of 22 full time equivalent staff for 2024/25. All staff are trained and accredited specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering. All staff are required to members of the Counter Fraud Profession- or working toward this via professional qualification or apprenticeships.

The SAFS Team has won awards for the services it provides including the *Tackling Economic Crime Awards* (TECAS), the *Institute of Revenue Rating and Valuation Awards* (IRRV), the *Public Finance Awards* (PFA), and most recently in February 2024 the *Public Sector Counter Fraud Awards* in the categories for '*Local Excellence*' and '*Public-Private Partnership Excellence*'.

SAFS is a Partnership with Hertfordshire County Council providing a contracted service for all Partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the Stevenage Borough Council the **Strategic Director (CFO)** is the Board representative and the **Assistant Director of Finance** acts as deputy.

Although SAFS will provide much of the Council's operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In December 2023 the SAFS Board agreed fees for all Partners from April 2024. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years. A service review is currently underway with an external organisation looking at the whole service for the SAFS Board and new contracts will be developed for all Partners over the next two years.

Fees for Stevenage Borough Council for 2024-2025 have been agreed at £174,116 + VAT.

Staffing

The full complement for SAFS in 2024-2025 is planned to be 22 FTE for its Core Service.

The Council will have access to 435 days of counter fraud work, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three reports per annum to the Audit and Standards Committee. An Accredited Financial Investigator is available to assist in money laundering or proceeds of crime investigations.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the Council's legal team.

SAFS will provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

Workplans & Projects 2024-2025

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Cross Cutting Corporate Initiatives	<p>General Support. Three Reports to Audit Committee. SAFS attendance at management meetings. Assisting with the review of the Council's existing anti-fraud policies. Money Laundering Reporting Officer (MLRO) role. Assist with NFI Upload and Output and the Herts FraudHub. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts across all Council services and providing a resource to support any investigation, reporting or risk assessment required from any emerging fraud or corruption.</p> <p>Training. Ten fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. Review of the I-Learn training package on fraud/bribery/money laundering – accessible via the Council's intranet. Roll out of NAFN training and registration for appropriate services/officers.</p> <p>Procurement. Continue to develop a bespoke risk assessment for fraud in procurement/contracts.</p>
Revenues and Benefits.	<p>This work will be arranged with the <i>Shared Revenue and Benefit Service</i>. Proactive training and awareness for management and front-line staff. Reactive investigations for housing benefit, council tax support/discount and business rate fraud. Support for Single Person Discount/Empty Homes review utilising 3rd party framework. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection</p>

	<p>(Analyselocal Project). Joint working with DWP where council tax support and other 'national' benefits are in payment.</p>
Housing Services	<p>This work will be arranged with the Council's housing services and in partnership with Clarion Housing Group, Catalyst Housing (now part of Peabody), B3Living and other housing providers with stock within the Council's area.</p> <p>Proactive training and awareness for senior leadership and front-line staff.</p> <p>Reactive investigations for Housing Application, Tenancy fraud and support for RTB process.</p> <p>Targets include:</p> <ul style="list-style-type: none"> • 12 social homes secured from sub-letting, or other unlawful tenancy breaches, or acts of fraud against the housing application/homelessness process. • Programme of work to support the Council's plans to improve the use of Tenancy Audits, through improved use of intelligence/data analytics and the sharing of fraud trends around misuse of social housing. • 100% review of RTB & Succession applications. <p>Review housing register to identify fraud risks and, where appropriate, investigate these.</p>

SAFS Key Performance Indicators (KPI) & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Council's Anti-Fraud Plan. The KPI's can be found at **Appendix B** and will be reported to senior officers and Audit and Standards Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the design/review of Council policies, processes, and documents to deter/prevent fraud.
6. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
7. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council.
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify datasets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt.
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation, or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to decide on any further sanctions/prosecutions.
11. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
12. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
13. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
14. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A.

SBC / SAFS Action Plan 2024/2025			
FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Chief Executive / Borough Solicitor / Strategic Director (CFO)
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud.	Strategic Director (CFO) /Head of SAFS
		Audit and Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chairman/ Strategic Director (CFO) / Borough Solicitor
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to 'fraud-proof' systems, and inform future internal audit planning.	Head of SAFS/ Head of SIAS
		The Council will publish its Fraud Data annually in compliance with the Transparency Code.	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Strategic Director (CFO) / Head of Human Resources
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance	Inclusion of Fraud Risks and actions to manage/mitigate/reduce this in its Annual Governance Statement.	Risk Manager / Strategic Director (CFO)
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications & Marketing Mgr
		The Council (and SAFS) will provide fraud awareness & service specific anti-fraud training across Council services and review the E-Learning training available for staff (this should be mandatory and reportable).	Head of HR / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Strategic Director (CFO) or the Assistant Director of Finance will ensure that the services provided by SAFS are appropriate and provide an effective ROI.	Strategic Director (CFO) / Assistant Director of Finance
		Audits conducted by the Shared Internal Audit Service will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior management and SAFS to review.	Head of SIAS
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of data and technology. Enhancing fraud controls. Developing an effective anti-fraud culture. Communicating activity.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and take part in the NFI 2024/2025 Exercise	Head of SAFS/ Assistant Director of Finance
		The Council, and SAFS, will work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Assistant Director of Finance
		The Council will review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Borough Solicitor
		SAFS will work with the LGA and Cabinet Office to support the work of the Public Sector Fraud Authority.	Head of SAFS
PURSUE	Prioritising recovery. Developing capability and capacity. Collaborating across boundaries. Learning lessons and closing the	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will utilise its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service and HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Borough Solicitor/ Head of HR/ Assistant Director of Finance
		SAFS and the Councils R&B Service will work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Head of R&B Shared Service
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	Head of SAFS
PROTECT	Recognising the harm that fraud can cause. Protecting the Council and its' residents.	SAFS will provide reports on anti-fraud activity at the Council quarterly or as required by Council officers.	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / Strategic Director (CFO)
		The Council has in place measures to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure, with training for staff and elected members	Asst Director Chief Technology Officer
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

Appendix B.

SAFS KPIs - 2024/ 2025 (SBC)

KPI	Measure	Objectives	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Assistant Director of Finance, quarterly. B. Strategic Director (CFO) or deputy will attend SAFS Board meetings quarterly. C. Regular meetings to take place with Directors/Service Leads to agree and update local work plans.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. Deliver between 90% and 110% of the 435 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management. B. 3 Reports to Audit Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. SAFS response to all urgent/ high risk cases within 1 working day . B. All other cases 2 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Access to CIPFA/CIFAS/NCSC/AF/FFCL alerts/trends/best practice C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year. (To be agreed with Directors/ Service leads and HR)	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. 12 Social homes secured from unlawful use or sub-letting. D. 100% Review of all Right to Buy and 'Succession' applications.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the output from NFI 2024/25 across all Council services. B. Membership of the Herts FraudHub in 2024/25 .	Develop a 'data-hub' that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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Stevenage Borough Council

Audit Committee

March 2024

Progress with delivery of the

2023/24 Anti-Fraud Plan

Purpose

1. This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's 2023/24 Anti-Fraud plan. The Committee is asked to note this work.

Recommendation

2. **The Committee is RECOMMENDED to;**
 1. **note the progress made by the Shared Anti-Fraud Service on delivering the 2023/2024 Anti-Fraud Plan.**

Background

3. Stevenage Borough Council is a founding member of the Shared Anti-Fraud Service (SAFS). This Committee has received detailed reports previously about how SAFS works closely with the Council Officers and the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.
4. Recent reports on fraud and corruption have been shared with Council officers and are used by SAFS to ensure that the Council is aware of its fraud risks and is able to manage these effectively.
5. Some of the most significant recent reports include:
 - ***Fighting Fraud and Corruption Locally a Strategy for the 2020's***. This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.
 - ***Tackling Fraud in the Public Sector 2020***. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA and MHCLG.
 - ***UK Fraud Strategy 'Stopping Scams and Protecting the Public***. The Government launched its latest strategy in 2023 aimed at bringing government and the private sector together to tackle fraud, the pursuit and punishment of fraudsters, providing more recognition of fraud and how to avoid it.
 - ***Lost Homes, Lost Hope***. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023 uses previous data and research to estimate the current cost to local government of tenancy fraud along with the

volume of fraud across the sector. The SAFS Partners have adopted the value of fraud loss used in this academic piece when reporting 'tenancy fraud'.

Report

Anti-Fraud Activity 2023/24

Staffing & Resources

6. In March 2023 (this Committee approved the 2023/24 Anti-Fraud Plan for the Council and KPIs for the SAFS. See [Agenda for Audit Committee on Monday, 27 March 2023, 6.00pm \(stevenage.gov.uk\)](#) for details of the Plan and **Appendix 1** for progress with delivery and KPI Performance.
7. The SAFS Team this year is composed of 23 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Hertford.
8. Each SAFS Partner receives dedicated support and response through a number of 'operational' days where SAFS staff are allocated to various cases, projects, training or other anti-fraud functions at the Council,. Providing the Service in this manner allows officers to develop working relationships with Council staff, and also provides improved resilience and flexibility across the Partnership as a whole. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.
9. The SAFS allocated 450 operational days exclusively for the Council in 2023/24, this includes SAFS Management, fraud risk assessment & Executive Reports, reactive/proactive investigations, data-matching & data-analytics (NFI etc), face to face and virtual learning sessions for staff, financial investigations, application of sanctions and supporting prosecutions.

Fraud Awareness and Prevention

10. A key objective for the Council is to develop the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption.
11. The Council took part in the International Fraud Awareness Week in November 2023 with planned activity utilising social media and national/international resources. Campaigns such as this encourage residents to report fraud and provide assurance that the Council takes fraud seriously and acts on those reports.
12. The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool, confidential fraud hotline (0300 123 4033) and a secure email account for reporting fraud – fraud.team@hertfordshire.gov.uk These contact details are also available via the Councils own website [Reporting Fraud](#)

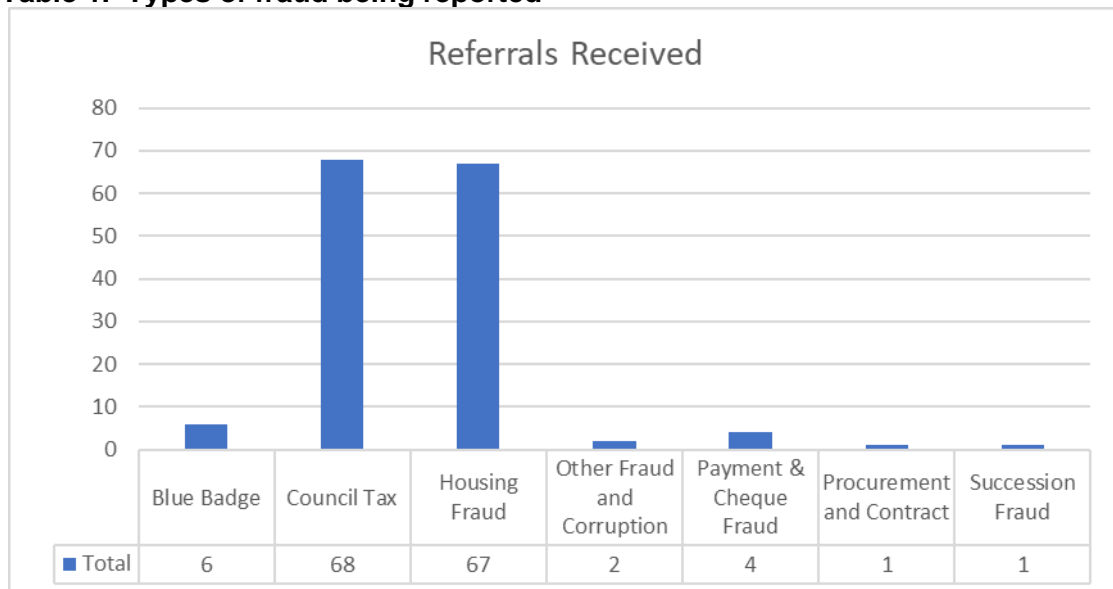
stevenage.gov.uk) and on the Councils intranet for staff. None of these functions replace the Council's own Whistleblowing reporting procedures.

13. Working with the Councils HR team SAFS maintains the delivery of its e-training package for staff to raise awareness of fraud, bribery, and money laundering. This training package is hosted on the Councils intranet and is available for all staff, the modules on anti-fraud/bribery/corruption are being reviewed.

Counter Fraud Activity & Reported Fraud

14. Between April and December 2023 SAFS received 149 'referrals' or allegations of fraud affecting Council services. Allegations received continue to increase slightly compared to previous years data.

Table 1. Types of fraud being reported



*'Council Tax'-includes Housing Benefit/Council Tax Reduction Scheme/ Single Person Discounts
 'Succession Fraud' – relate to cases involving Council housing stock.*

15. Of the 149 referrals received 79 came from members of the public and 67 from Council staff.
16. SAFS carried forward 19 live cases from 2022/23. Many new cases raised for investigation are still in the early stages (25) and of 305 live cases are under investigation at the end of December the estimated fraud loss/savings for these cases exceeds £660k.
17. 15 'reactive' investigations have been closed so far this year, and a further 26 low level reviews undertaken, with fraud losses/savings combined of just over £111k reported.

'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.

18. A significant number of cases continue to be delayed where SAFS works with other agencies, in particular the Department for Work and Pension (DWP), where staff are now being redeployed to deal with an increase in fraud in the Universal Credit system.
19. A report from the Fraud Advisory Panel in 2023, Lost Homes Lost Hope, estimates that the cost of social housing fraud to local councils could exceed £42k for every property that is being illegally sub-let. SAFS response to this fraud threat is to work more closely with the Councils Housing Service as well as with registered housing providers across the County, to assist in the investigation and recovery of council properties where illegal sub-letting or 'key-selling', succession and right to buy fraud is identified.
20. 18 cases of 'tenancy fraud' are currently being investigated within the Councils boundaries with the intention that, once recovered, these properties will be made available to families from the Councils housing register, including those in temporary accommodation. Three cases of tenancy fraud have already been proven where the Council has been able to recover the property and a number of cases are awaiting possession proceedings.

Proactive and Prevention Activity

21. SAFS continues to provide alerts of new and emerging fraud from our network of partners including Cabinet Office, CIFAS, CIPFA, National Fraud Intelligence Bureau (NFIB), Herts Police- OWL, National Cyber Security Centre (NCSC) and NAFN.
22. SAFS continues to work nationally and regionally with other counter fraud services and to share best practice and initiatives as well as requesting support and guidance from the South-East Counter Fraud Group, London Fraud Forum (LFF), London Borough Fraud Investigators Group (LBFIG) and the Home Counties Tenancy Fraud Forum (TFF).
23. SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job Seekers Allowance or Universal Credit. But, as mentioned already many cases are delayed due to DWP staff still being redeployed.
24. SAFS reviews all Right to Buy and Tenancy Succession applications to prevent fraud and money laundering. Between April and December 2023 52 such reviews were undertaken with 1 RTB stopped and a number of cases referred for further investigation.
25. SAFS oversees and supports the work of the Shared Revenue Team to identify potential fraud in the business rates data. So far this year 25 discrepancies in data have been reviewed identifying 8 errors and £43k in additional business rate liability. 2 Other cases are under review at present.

26. SAFS is working with Council officers to review the outcome from the National Fraud Initiative (NFI) by providing resources and support to deal with reports/matches received in February 2023. To date of 1,788 matches, 570 high-risk matches have been reviewed, 52 discrepancies and 12 frauds identified, loss and savings in excess of £229k reported. These outcomes are outstanding and reflect a huge effort by Council officers to review matches and correct data.
27. The Council subscribes to the Hertfordshire FraudHub. This project operates using the same legal framework as main NFI exercise but allows data to be matched more frequently helping to prevent fraud or detecting it sooner. In Quarters 1-3 more than 10,000 matches have been reported of which 2,444 have been reviewed.
28. SAFS have provided a number of reports to the Councils senior management about fraud risks identified from investigations, both at the Council and other SAFS Partners, with recommendations on how the Council can better manage/mitigate these risks in future. Where recommendations relate directly to Council services we have shared our reports with Internal Audit to help inform future audit planning.

List of Background Papers - Local Government Act 1972, Section 100D

- (a) ***Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)***
- (b) ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIFAS/LGA 2020)***
- (c) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (d) ***Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA 2014)***
- (e) ***Fighting Fraud – Breaking the Chain (Report of Session 2022-2023 House of Lords)***
- (f) ***HMG Counter Fraud Standards (Cabinet Office 2021)***
- (g) ***HMG Fraud Strategy – Stopping Scams, Protecting the Public (May 2023)***

Appendix A – SAFS KPIs 2023/24 (SBC) – Jan 2024

	Not Started		Work Commenced		Work Ongoing		Complete or on Plan
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KPI	Objectives	Progress to Jan 2024
1	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Assistant Director of Finance, quarterly. B. Strategic Director (CFO) or deputy will attend SAFS Board meetings quarterly. C. Regular meetings to take place with Directors/Service Leads to agree and update local work plans.	A. SAFS Mgt have meetings planned throughout the year with Senior Mgrs in Finance/Housing. B. BM/CF are invited to attend all SAFS Board meetings in 23/24 C. Meetings with SLT have yet to be agreed.
2	A. 450 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management B. 3 Reports to Audit Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, other 'enforcement' groups.	A. 264 days to end of October 59%- We have provided more resource from January to assist with Housing Fraud matters. B. September/November 2023 meetings. March AC booked C. SAFS Mgt have invites to attend SBC Corporate Governance Grp each month. Meetings taking place with Hsing Mgt.
3	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	A&B. 1 day to respond to all referrals.
4	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts/trends/best practice C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year. (To be agreed with Directors/ Service leads and HR)	A. SAFS has membership of PNLD which has been shared with Legal. NAFN membership in place for 23/24. B. SAFS/HCC member of CIPFA and CIFAS. C. NAFN service awareness to shared across Council service areas for relevant officers D. SAFS liaising with SBC HR.
5	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/savings of each will be reported to officers. C. 12 Social homes secured from unlawful use or sub-letting. D. 100% Review of all Right to Buy and 'Succession' applications.	A. Fraud reporting options available for staff and residents on the SBB webpage and intranet. B. All cases are recorded & reported on SAFS CMS C. 3 Properties recovered and a number in recovery process. D. 32/20 reviews complete so far- 100% of those requested.
6	A. Support the output from NFI 2022/23 across all Council services. B. Membership of the Herts FraudHub in 2023/24.	A. SAFS Officers now have access to all systems and working with officers to resolve OS NFI matches. This is progressing well.

		B. Contracts with C/O & SBC all in place for 23/24 and data is being uploaded. SAFS working with officers to review output.
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INTERNAL AUDIT PLAN 2024/25

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE

26 MARCH 2024

RECOMMENDATION:

**MEMBERS ARE RECOMMENDED TO APPROVE THE
PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL
AUDIT PLAN FOR 2024/25**

Contents

1. Introduction and Background

2. Audit Planning Process

2.1 Planning Principles

2.2 Approach to Planning

2.10 Planning Context

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3. Performance Management

3.1 Update Reporting

3.3 Performance Indicators

Appendices

A Proposed Stevenage Borough Council Internal Audit Plan
2024/25

B Proposed Audit Start Dates

1. Introduction and Background

- 1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.2 The SIAS Board reviewed the SIAS Internal Audit Strategy in 2022, and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.
- 1.3 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and Internal Audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members, and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

- 1.4 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive’s Annual Opinion Report.
- 1.5 The Shared Internal Audit Service’s (SIAS) Audit Charter was presented to the June 2023 meeting of this Committee, and it shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2024 Audit Committee meeting for Member approval.

1.6 Section 2 of this report details how SIAS complies with these requirements.

2. Audit Planning Process

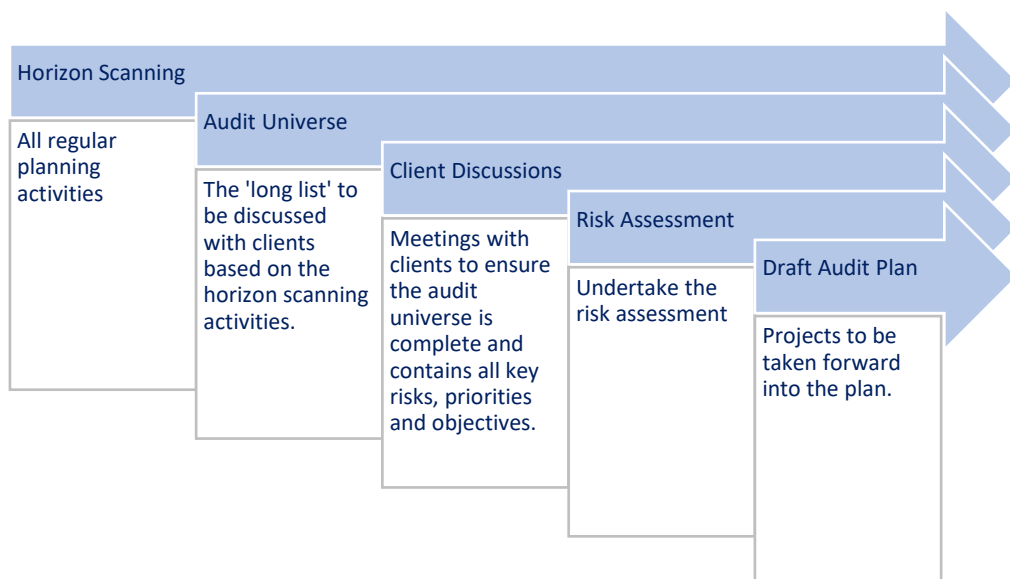
Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

Approach to Planning

2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with senior managers.

Client Discussions

- 2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 The risk assessment behind the development of the 2024/25 Internal Audit Plan was correlated to the Council's plans and associated monitoring through risk assessments, KPI's and project progress.

- 2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

Draft Audit Plan

- 2.9 The results of the discussions with senior managers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2024/25.

The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- Demand for services is still rising, driven by a range of factors including the growing and ageing population, and challenges in the healthcare system. Combined with the cost of living, local authorities will have to continue to be more innovative and commercially minded.
 - Macro-economic uncertainty continues, driven by factors such as inflation, interest rates, energy costs and a range of geo-political tensions. Resulting cost pressures and government funding make financial planning a key component of local government finance.
 - Cyber and data security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and risk management remain key to protecting local authority assets and services.
 - Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may continue to be an increasing concern.
 - Many local authorities have declared a Climate & Ecological Emergency and made public commitments relating to carbon reduction and becoming Net Zero.
- 2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve ‘whole population testing’ and new insights over sampling or ‘continuous assurance’ where appropriate.
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2024/25

2.13 The draft plan for 2024/25 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the likely start months. The number of days commissioned in 2024/25 is 300 days.

2.14 The table overleaf shows the estimated allocation of the total annual number of commissioned audit days for the year.

	2024/25 Days	%
Key Financial Systems	64	21%
Operational Services	62	20%
IT Audits	12	4%
Corporate Services / Themes	94	32%
Carry forward work 2023/24	8	3%
Contingency and other	5	2%
Strategic Support*	55	18%
Total allocated days	300	100%

* This includes supporting the Audit Committee, monitoring delivery of the internal audit plan, SIAS service development and implementing the new Global Internal Audit Standards

2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan

update reporting cycle. The cancellation of any audits will require approval from the Strategic Director (CFO).

- 2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2023/24. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing demands on their time, e.g. year-end closure procedures.
- 2.17 Members should also note provision for implementing the updated Global Internal Audit Standards during 2024/25. Currently in draft form, the new Standards are expected to address key aspects of internal auditing such as:
- Purpose of Internal Auditing e.g. what internal audit is and how it should operate.
 - Ethics and Professionalism e.g. conduct and professional performance.
 - Governing the Internal Audit Function e.g. direction and responsibilities for audit committees and senior leaders.
 - Managing the Internal Audit Function e.g. principles for planning, resourcing, and performance.
 - Performing Internal Audit Services e.g. conducting day to day internal audit work.

Changes which have an impact on the role of Audit Committee Members will be highlighted once the Standards have been finalised.

- 2.18 The nature of assurance work is such that enough activity must have been completed in the financial year for the Chief Audit Executive to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Strategic Director (CFO).

Resources

- 2.19 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.20 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in

a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.

- 2.21 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.22 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has team members studying towards their professional qualifications.
- 2.23 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Stevenage Borough Council. There are currently no limitations on the adequacy of resources in place to deliver the Stevenage Borough Council Internal Audit Plan 2024/25.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2024/25 and any proposed changes will be reported to this Committee three times in the 2024/25 civic year.
- 3.2 SIAS will report on the implementation of agreed critical and high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2024/25 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	Update Report

2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2025	90%	Update Report
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	Update Report
4. Client Satisfaction - percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	Update Report
5. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	Update Report
6. Annual Plan – prepared in time to present to the last Audit Committee meeting of the financial year. If there is no meeting, then the Plan should be prepared for the first meeting of the financial year	Yes	Annual
7. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	Annual

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF KEY FINANCIAL SYSTEMS		
Business Rates (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	64
Council Tax (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	
Housing Benefits (shared with EHC).	An audit covering risks linked to claim submission, assessment, changes in circumstances and payment.	
Creditors.	An audit covering risks linked to systems access, order & invoice processing, supplier set up & amendment, payment runs & reconciliations.	
Debtors.	An audit covering risks linked to raising invoices & amendments, payments received, debt recovery and reconciliations.	
Treasury Management.	An audit covering risks linked to cashflow management, investments, borrowing and reconciliations.	
Payroll (risk and control mapping refresh).	A short review of the existing map for any changes and exceptions.	
Housing Rents.	An audit covering risks linked to raising rental charges, collection, recovery, refunds and write offs.	
Cash & Banking (risk and control mapping refresh).	A short review of the existing map for any changes and exceptions.	
COVERAGE OF OPERATIONAL SERVICES		
Trade Waste Collection.	An audit covering risks linked to agreements, collection arrangements, invoicing and payments.	10
Property Compliance Checks.	An audit covering risks linked to statutory compliance at Council properties.	12

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
Estates (asset utilisation).	An audit covering risks linked to management plans, records, acquisitions & disposals, leases and condition surveys.	10
Housing Register & Allocations.	An audit covering risks linked to the housing registration, property offer and the allocation process.	10
Vehicle Workshop.	An audit covering risks linked to fleet maintenance, associated record keeping, licences and purchasing.	10
Follow up of Limited Assurance Reports from 2023/24.	Provision for following up Limited Assurance audits from 2023/24 (two at the time of writing) to help ensure matters arising have been addressed.	10
COVERAGE OF CORPORATE SERVICES/THEMES		
Review of Audit Committee.	A review of the Council's Audit Committee effectiveness and benchmarking against recognised good practice.	10
Confidential Reporting Procedures.	An audit covering risks linked to policies & procedures, case management and outcomes.	10
Contract Management.	An audit covering risks linked to policies & procedures, contract registration, performance monitoring and remedy.	12
Climate Data & Reporting.	An audit covering risks linked to the underlying data used for reporting against climate related commitments.	10
Embedded Project Assurance.	A provision for real time contributions to nominated key projects during 2024/25.	12
Risk Management (risk & control mapping refresh).	A short review of the existing assurance map for any changes and exceptions.	2
Freedom of Information.	An audit covering risks linked to policies & procedures, monitoring & reporting, and training & awareness.	10
Commercialisation.	An audit covering risks linked to objective setting & action planning, risk appetite, monitoring & reporting, and strategy alignment.	12
Corporate Governance (risk & control mapping).	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	10

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
On Demand Grant Audits.	Provision for auditing external funding arrangements where the funding body attaches associated conditions e.g. Homes England.	6
COVERAGE OF INFORMATION TECHNOLOGY		
Data Breach Incidents & Response (shared with EHC).	An audit covering risks linked to data processing notices, breach prevention and incident management.	6
IT Hardware Acquisition, Movement & Disposal (shared with EHC).	An audit covering risks linked to controlling movement of IT assets.	6
CONTINGENCY		
Contingency.	To provide for adequate response to risks emerging during the financial year.	5
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2023/24.	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2023/24.	3
Audit Committee and Recommendation Follow Up.	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee. Follow up of any Critical and High priority recommendations.	10
Client Liaison, Adhoc Advice and Consultancy.	This involves meetings and updates with the Council's Audit Champion and other key officers. Also a provision for adhoc internal audit advice and consultancy.	10
Plan and Progress Monitoring.	To produce and monitor performance and billing information, work allocation and scheduling.	12

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
SIAS Development and Global Internal Audit Standards implementation.	Included to reflect the Council's contribution to developing and maintaining the shared service / partnership through its service planning activity and assurance mapping objectives (10 days). A provision for implementing the new Global Internal Audit Standards (5 days).	15
2025/26 Audit Planning.	To provide services in relation to preparation and agreement of the 2025/26 Audit Plan.	5
2023/24 Projects Requiring Completion.	Additional time, if required, for the completion of 2023/24 audit work carried forward into the 2024/25 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	8
TOTAL		300
<p>Reserve/substitute list (if required):</p> <ul style="list-style-type: none"> - Staff Welfare & Wellbeing (drivers e.g. health, support, security, environment, purpose) - Counter Fraud Strategy (objectives, work plan, training & awareness) - Social Media (presence, reputation management, regulatory compliance) - Business Continuity Planning (impact analysis and recovery response) - Building Security (entry control, fire prevention & detection, incident response, lone working) - Contracts Register (unidentified spend data analytics) 		

APPENDIX B – STEVENAGE BOROUGH COUNCIL PROPOSED AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
2023/24 Projects requiring Completion	Housing Register & Allocations	Trade Waste Collection	Estates (asset utilisation)	Confidential Reporting Procedures	Commercialisation
	Vehicle Workshop	Data Breach Incidents & Response	Follow Up (1)	Climate Data & Reporting	Contract Management
	Review of Audit Committee	Freedom of Information		Property Compliance Checks (1)	

Oct	Nov	Dec	Jan	Feb	Mar
IT Hardware	Council Tax	Business Rates	Creditors	Treasury Management	IT Hardware
Cash & Banking	Debtors	Housing Benefits	Payroll	Corporate Governance	Cash & Banking
	Housing Rents	Risk Management	Follow Up (2)	Property Compliance Checks (2)	

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.

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Meeting: Audit Committee



Portfolio Area: All Portfolio Areas

Date: 26 March 2024

Corporate Governance Arrangements

Author: Suzanne Brightwell Ext: 2966
Contributors: Assistant Directors
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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2023/24 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2024/25, which will be reflected in the Council's 2023/24 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on corporate governance enhancement activity during 2023/24.
- Corporate governance enhancement activity identified for 2024/25, for inclusion in the Council's 2023/24 Annual Governance Statement.

3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to ensure the Council runs effectively and can be held to account for its actions.

3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised

this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector.

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

3.2.2. The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up-to-date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

3.2.3. The CIPFA/SOLACE seven core principles of good governance are:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

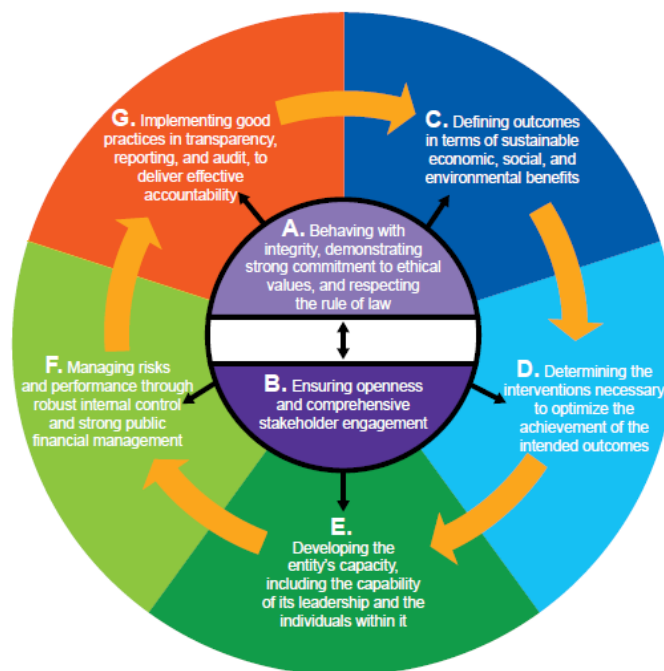
D: Determining the interventions necessary to optimise the achievement of intended outcomes

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram overleaf, taken from the International Framework, Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the above principles of good governance in the public sector and how they relate to each other.



3.2.4 For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.3 Local Code of Governance

3.3.1 To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the 'Delivering Good Governance' Framework. The Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

3.3.2 The Council's current Local Code of Governance which is revised annually to enhance the assessment process was last approved by Audit Committee in June 2023 and will be considered by Audit Committee at its meeting in June 2024.

3.4 Legislation and Proper Practice

The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

3.5 Review of Corporate Governance Arrangements

3.5.1 The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.

3.5.2 To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance Group throughout the year.

3.5.3 Significant enhancement activity identified as a result of these reviews is reflected in Appendix A and Appendix B of this report. To provide Members with a complete picture of governance enhancement carried out in 2023/24 and scheduled for 2024/25, enhancement activity pertaining to best practice has also been reflected in Appendix A and Appendix B.

3.5.4 Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the delivery of outcomes should be addressed.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles and identification of significant governance action to facilitate continued compliance with this Framework, forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

5. IMPLICATIONS

5.1 Financial Implications

There are no direct financial implications arising from this report.

5.2 Legal Implications

The governance enhancements identified inform the Annual Governance Statement which will be reported to Audit Committee in June 2024. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

5.3 Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. Weakness in corporate governance arrangements can

increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

5.4 Other Corporate Implications

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome delivery, and other agencies with which the Council shares information. External bodies, in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded and a commitment to ensuring effectiveness.

5.5. Climate Change Implications

Climate change will be considered as part of the Council's governance arrangements.

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (6 June 2023)

7. APPENDICES

- Appendix A: Corporate Governance Enhancement Activity carried out in 2023/24.
- Appendix B: Corporate Governance enhancement activity planned for 2024/25.

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Corporate Governance Enhancement Activity carried out in 2023/24

Corporate governance activity included in the peach text boxes below are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks. To provide a complete picture of governance enhancement carried out in 2023/24, activity pertaining to best practice has also been reflected below.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- New Independent person appointed to Audit Committee in September 2023
- Updated Regulation of Investigatory Powers (Act) (RIPA) Policy was approved by Audit Committee in November 2023. RIPA regulates the use of certain surveillance owners by public authorities.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Annual Report and Performance Overview highlighting the Council's achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website
- Residents were consulted on the introduction of a Stevenage Cycle Share Scheme and public consultation was held in relation to proposed changes to the Oval which generated over 7000 responses.
- The Council's New Corporate Plan "Making Stevenage Even Better" was agreed by Full Council in February 2024. Making Stevenage Even Better builds upon the long-term objective of the previous Corporate Plan Future Town Future Council and reflects the need to deliver on what residents have said matters to them, whilst prioritising effective delivery of services in a challenging financial environment. The five strategic priorities and three cross cutting themes within the plan represent the views of over 3000 residents. The new corporate plan will launch on 1st April 2024 and will be accompanied by promotional activities to communicate the content and raise awareness.
- Executive agreed the proposed Stevenage Borough Council Equality, Diversity, and Inclusion Action Plan (2023-2024) as well as the recommendations of the Stevenage Equalities Commission (SEC) and the SEC Legacy Group Action Plan.
- A new Housing Management Board has been set up and will meet monthly.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

Balancing the Budget: A review of the 30-year Housing Revenue Account Business Plan has been carried out to incorporate new government requirements, welfare and social reforms and inflationary pressures. The new Business Plan was agreed at Executive November 2023.

The Council needed to find general fund savings of £1.2M for to ensure a balanced budget for 2024/25. The identified savings were agreed at Executive in November 2023. The 'Balancing the Budget' priority has a number of workstreams. Both the Transformation and the Co-operative Commercial Insourcing Strategy have contributed significantly to achieving the 2024/25 'Balancing the Budget' savings target resulting in no service cuts being proposed for 2024/25 with the exception to changes to football pitches.

Due to the significant level of savings required in recent years, this Council, along with many others has adopted a one-year budget setting process rather than taking a three-year view. Whilst the Council does not currently have a three-year budget, the Medium-Term Financial Strategy identifies the projected funding needs over a longer period and is reviewed annually.

The Council has taken significant steps over recent years to balance its budget and the current projections show that the on-going balanced budget will be achieved to 2027/28 ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure. However, this relies on significant savings targets being achieved each year and inflation reducing in the medium term and government funding in line with that projected in the Medium-Term Financial Strategy. While delivering this budget, the Council is also continuing to deliver its ambitious programmes to redevelop and regenerate the town centre and to provide more social, affordable, and aspirational homes. Whilst both programmes offer great opportunities for the town and residents, they also carry the risk of potentially needing more resources. There is a ringfenced reserve for Regeneration and further estimates of resources have been included in the General Fund MTFs.

For a number of years capital spend has been prioritised due to the limited availability of capital receipts and the Council's ability to afford borrowing costs. Accordingly, the council applied a 'fix on fail' approach to assets with no significant asset improvements being funded, except for those supported through external funding or partially through external funding (for example Garage Improvement programmes). This approach cannot be sustained in the medium to long term as it will lead to a gradual degradation of the Council's assets with reactive works only being undertaken to keep sites wind and watertight. Sustaining such an approach in the medium term will inevitably lead to closure of buildings even before consideration is given to the legal requirements in terms of Energy Performance Certificate (EPC's) and other legal and climate change requirements. To address the issues above, The General Fund Capital Strategy Overview - Priorities versus Funding Requirement 2023/24-2029/30 report to Executive 15 November 2023 set out the Council's key capital regeneration and community asset ambitions and key land and asset disposals, to determine a funding strategy to meet corporate objectives and address the issues outlined above.

Debtors: In response to an audit recommendation to introduce regular reporting of all debts each month advising of the recovery actions taken and the current recovery position, the following action has been taken:

Debts are now being reported to Assistant Directors monthly. An Interim Debt Manager for Sundry Debtors has recently been appointed and will be making improvements to debt recovery and updating procedures. Discussions have taken place consultants on improving the recovery process on the system and differentiating the reminder cycles.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Commercialism: To ensure that the Council's ambitious commercial agenda can be achieved the following action has been carried out: The Commercial and Insourcing Strategy 2023-2026 was agreed by Executive at its meeting in October. The strategy outlines the Council's approach to operating commercially. This will be achieved through maximising opportunities to insource services, the delivery of business process improvements and the generation of new or enhanced sources of revenue. The commercial culture across the organisation will continue to be developed, to ensure that staff are equipped with the right skills to deliver. New fees and charges for 2024/25 were agreed by Executive in October 2023. Commercialisation work this year has included: aligning commercial and transformation (such as for Digital Garage Lettings and third-party tipping), enhanced income from concessions contracts based on a revenue share agreement (such as for advertising and sponsorship and parcel lockers). Options for new income streams are progressing and reports with proposals will come forward in due course. The Member-led Commercial and Investment Working Group continues to meet quarterly.

Socio-Economic Impacts: As a result of the combined socio-economic impacts of welfare reform, the COVID-19 pandemic, and an economic downturn the following actions have been carried out: Funding of £300K is being received in instalments and is being used to support local small businesses. This is part of the Mission 44 funding, and the Council is working with schools to encourage STEM learning to ensure better prospects for young people.

The Social Inclusion Partnership has been set up to share information about services and applying for funding collaboratively. It is made up of voluntary sector organisations who have come together and is being supported by the Council and Citizens Advice Stevenage.

The Welfare Reform Group continues to meet. A dashboard is being used to inform the Council's understanding of the impact of the cost-of-living crisis locally. Data is collected from colleagues and partners who attend Welfare Reform Group meetings. The dashboard is made up of 13 different measures which are analysed quarterly to inform the Council's and partners' understanding of local trends.

The Council's website contains information to help residents to manage the cost of living and this is updated regularly with new advice and how to access grants and benefits.

A new Collection and Engagement IT solution to allow focus on high-risk Universal Credit claim cases is being procured. The new system will automate many tasks required to reach customers in arrears and will enable early intervention and assist with proactive management of arrears cases.

The Council has recently partnered with Sustainable X to deliver a fully funded Sustainable Support Programme for local businesses to support key learning of sustainable practices and opportunities for businesses. The programme includes skills and training support on sustainable supply chain management and wider stakeholder engagement. The programme launched on 28th September with a Sustainable Meet the Buyer event, providing unique collaboration opportunities for both buyers and suppliers. It also offers participants the chance to grow their network with potential supply chain connections too.

The Council was successful in its bid for Round 2.1 of the Government's Social Housing Decarbonisation Fund and will receive £2.6M. This will need to be match funded. The aim of the funding is to help the country meet its net zero targets, but will make resident's homes more energy efficient, comfortable, and affordable to heat. An updated Housing Asset Management Strategy was approved at Executive in November which sets out the Council's approach to decarbonisation of its housing stock within the available resources identified in the revised HRA Business Plan.

Leisure Contract: The Council has entered into a new ten-year Active Communities Leisure Management contract. The UK leisure operator prides itself on being a community-focused organisation and will introduce this approach to residents of the town. Everyone Active aims to support the Council's vision for leisure across Stevenage by producing attractive facilities available to all age groups in the town's community and contribute to the health and wellbeing objectives of the Council.

Council House Building and Acquisition:

- The Council has received grant funding of £10.6M from Homes England as part of their Affordable Homes Programme. This will be used to build a new Independent Living Scheme.
- Regular updates continue to be provided at Housing Development and Regeneration meetings.
- Performance indicators in relation to number of affordable homes delivered by the Council and number of private homes provided is included in the quarterly performance report which is reported to Executive.
- Delivery of 190 new homes in 2023/24, including the first phase of Kenilworth Close. This also sees the delivery of seven new retail units.
- Two new schemes for 156 homes at Brent Court and Shephall View have recently received planning permission. Consultation and submission to Planning has taken place on four new schemes for a total of 403 new homes which will form a key part of the programme going forwards.

Repairs and Voids:

- A fencing programme has been put in place by the Housing Investment team which aims to clear the historic backlog during 2023/24 and 2024/25.
- Changes to ways of working for the Repairs Supervisors and Maintenance Surveyors have been introduced to increase first time fix rates, productivity, and customer satisfaction.
- A service review of both Voids and Repairs was completed along with a scrutiny review of the Repairs Service by the Community Select Committee. The agreed recommendations have/will feed into improvement plans to be delivered over the next 12-18 months.
- Following a review of current arrangements, new interim contractors have been appointed to support the Repairs Service, including for specialist works such as roofing, pending a procurement process to award longer-term contracts in early 2024/25.
- 'Book Hub' the new online reporting repairs service, which will allow customers to select their own repair appointment times, has been released in-house and testing is being carried out. Once this is complete, the system will be rolled out to residents.

Capacity: Service Plans have now been produced for all service areas. These Service Plans set out the objectives of each service for the forthcoming year. The plan contains information about the service's performance targets and programme milestones. It sets out the risks, staff development activities, equality, budgetary, resident engagement, and workforce considerations that will inform and influence service delivery throughout the year.

There are still some challenging areas where posts are proving hard to fill. These include vital service areas such as Building Surveyors and IT Security officers. The HR Team continue to support managers to write adverts and explore ways to encourage applicants.

- The Transformation Programme aimed at improving customer satisfaction, increasing workforce productivity, and delivering savings to sustain services is continuing.
- New Housing Asset Management Strategy 2023-2028 was agreed at Executive in November 2023. The Asset Management Strategy sets out the framework under which the investment in existing stock detailed in the HRA Business Plan (2023) will be achieved. The Strategy will direct the Council's investment priorities. It identifies how the Council will ensure that residents living in Stevenage Borough Council homes will remain safe, involved, informed and have a good quality home. The strategy also sets out how the Council will meet the requirements of the new regulatory framework for social housing along with other legislation.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Risk management training was offered to Audit Committee members in January 2024
- Treasury management training was offered to Audit Committee members in January 2024
- Anti-fraud training was offered to all Members by the Shared Anti-Fraud Service in February 2024.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Cyber Security and IT Resilience:

- Work continues to complete the actions identified in the Cyber Treatment Plan.
- SOCITM were commissioned to design the Future Operating Model for the Joint IT Service. The recommended Future Operating Model was agreed by the Joint Information Communication Technology Committee at its meeting on 2nd October 2023 and by the SBC Executive in November 2023. Funding to implement the review has been agreed by both Stevenage Borough Council and East Herts District Council.
- Work has commenced to gain Cyber Assessment Framework accreditation. The Framework provides a systematic and comprehensive approach to assessing the extent to which cyber risks to essential functions are being managed.
- The roll out of Microsoft 365 is now complete as well as the removal of unsupported servers.
- New procedures are being implemented to enhance recording, management and monitoring of software licence information and the Council's software licensing policies are being reviewed.

Corporate Health and Safety: To ensure the Council has adequate Corporate Health and Safety arrangements the following action has been taken in 2023/24: All high risks were reviewed by the Strategic Health and Safety Group and reported to Corporate Risk Group and the Senior Leadership Team quarterly. The monitor was also reviewed by the Chief Executive at monthly HR meetings.

General Fund Asset Management Strategy and Corporate Landlord Function: To ensure compliance of the Council's non-housing property, the following action has been taken in 2023/24:

- The new Asset Management System has been uploaded with commercial properties and data checks of the information are being carried out.
- The new Computer Aided Facilities Management System is now live.

Building and Fire Safety Acts: To deliver the proposals set out in the new Building Safety/Fire Safety Acts, which have established new legal duties for landlord and building owners of higher risk residential buildings to keep their buildings safe, the following action has been taken in 2023/24:

- Housing staff have received initial training to enable them to complete Personal Emergency Evacuation Plans and Housing Staff are completing these for residents of flat blocks in scope of the Act. Training continues as required.
- All buildings within scope of the Act have been inspected and this has identified remedial work. It is anticipated that remedial work will commence May 2024.
- The fire door inspection programme is up to date and in now an ongoing programme. Essential repairs have been carried out at the five high rise buildings pending replacement of doors.
- Floor and building plans have been developed for buildings within scope of the Act and uploaded to Fire and Rescue website, added to each building's Security Information Box and will be kept under review and amended as necessary.
- The Fire Risk Assessment Prioritisation Tool has been implemented.
- Wayfinding and signage in flat blocks within scope of the legislation has been installed.
- Work is ongoing to submit all the required building safety case reports to the Regulator by the deadline of April 2024.

Social Housing Regulation Act: To deliver the proposals set out in the new Social Housing Regulation Act, which aims to drive landlords' compliance with new consumer standards the following action has been taken in 2023/24:

- Briefed the Council's Executive, senior leaders and managers on the new Act and what the Council needs to do to comply.
- Completed a consumer regulations self-assessment toolkit provided by the Housing Quality Network
- Produced a draft action plan. The main themes are around policies and procedures
- Draft communication plan has been produced to promote housing work and encourage engagement
- Held two away days to go through specific areas of the consumer regulations with managers across the Council involved in Housing work
- Implemented new tenant satisfaction measure reporting from April 2023.
- The Council's Shared Internal Audit Service are carrying out a review of compliance with the tenant satisfaction measures reporting and consumer regulations
- Tpas (external tenant engagement consultants) have been commissioned to provide a resident engagement framework for the Council to implement.
- Responded to a number of government consultation requests
- Bi-weekly complaints clinic has been set up to review handling of complaints
- SLT group set up to consider new complaints system, revision of policy/procedures required by the Ombudsman and the Regulator
- Procuring a company to conduct the 12 new tenant satisfaction measures for 2024/25.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- No governance enhancement activity is required.

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Governance Enhancement Activity to take place in 2024/25

Corporate governance activity included in the peach text boxes are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks.

To provide a complete picture of governance enhancement planned for 2024/25 activity pertaining to best practice is also reflected.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

To enhance existing governance arrangements the following activity pertaining to best practice has been identified:

- Full review of the Council's Constitution
- IT Acceptable Use Policy to be published
- Scheme of Delegation of Executive decisions to be reviewed
- Workshop for new Members on the Member Code of Conduct
- Anti-bribery Policy to be reviewed
- Review of Financial Regulations and Contract Standing Orders

Principle B: Ensuring openness and comprehensive stakeholder engagement

To enhance existing governance arrangements the following activity pertaining to best practice has been identified

- New Resident Engagement arrangements to be implemented.
- Launch of the Council's new Corporate Plan 'Making Stevenage Even Better'
- Review of the Stevenage Together partnership arrangements. This will include a refresh of frequency, membership, value and aims.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

Annual Governance Statement Action: To ensure that the General Fund Asset Management Strategy can deliver an effective Corporate Landlord function the following activity is planned:

- Complete the implementation of new property data management software to manage the Council's assets
- Continue the review of the council's commercial portfolio
- Create a Facilities Management Service Strategy that defines the services provided, to what standard and who is responsible for delivery
- Enhance contract management arrangements with compliance contractors
- Produce a training plan for the Facilities Management service
- Produce a programme of remedial work with contractor

Annual Governance Statement Action: Balancing the Budget: To ensure that the Council has sufficient resources to fund its medium and long-term service plans and corporate priorities the following activity is planned:

- Continue to find savings as part of the 2025/26 budget setting process, incorporating the work around the four transformation themes and the work of the Commercial Team
- Robustly undertake budget monitoring to ensure all costs are accurately forecasted and profiled
- Continue to look for new revenue streams

To enhance governance further the following activity pertaining to best practice has been identified:

- Procurement arrangements to be updated to reflect new Procurement Act 2023 which is due to come into effect from October 2024.
- Implementation of a new Workforce Strategy

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Annual Governance Statement Action: Commercialisation: To ensure that the Council's ambitious Co-operative Commercial and Insourcing Strategy can be achieved, the following programme of work is planned:

Commercial activity in 2024/25 will focus on the growth of income from existing commercial services and concessions contracts and will see the launch of new commercial services into the marketplace. Workshops with service managers for fees and charges setting 2025/26 will commence in June 2024. As per the Insourcing Roadmap 2023-26, a review of all services provided to or on behalf of the Council by external suppliers or third parties will continue. There will also be an accompanying review of contract management processes across the Council.

Annual Governance Statement Action: Council Housebuilding and Acquisitions Programme: To ensure the Council can deliver new council owned homes as programmed the following action is planned:

- Appointment of principal contractors for pipeline schemes currently progressing through Planning
- Completion of Dunn Close and Courtlands schemes for a total of 44 new homes
- Ongoing work to secure additional external funding for major projects including The Oval

Annual Governance Statement Action: Socio-economic impacts: As a result of the combined socio-economic impacts of welfare reform and the economic downturn the following action is planned:

- Continue to develop and update the online Cost of Living information hub on the Council’s website
- Continue to work with partners including Citizen’s Advice and the Money Advice Unit to offer residents a comprehensive advice and support service
- Continue to operate and promote the Warm Spaces scheme, utilising public, community, and other buildings to offer comfort during the winter months
- Continue to promote availability of local employment opportunities and skills and training courses (including funding available to support access) to help raise awareness and confidence for people to increase income and improve their financial wellbeing.
- Develop and implement decarbonisation schemes to reduce Council and tenant costs.
- Continue to work through the Stevenage Together partnership to share learning and best practice and to co-ordinate activity where appropriate.
- Continue to work with the County and district and borough councils in Hertfordshire to share learning and best practice and to co-ordinate activity where appropriate.
- Further develop the use of the Social Value Portal to divert funding from Council contractors to local skills development and key local investment priorities.

Annual Governance Statement Action: Repairs and Voids: To enhance the Repairs and Voids service to following activity is planned:

- Deliver improvement plan for Repairs including:
 - Continue to consider opportunities to upskill the workforce and maximise productivity.
 - Procurement of support contractors – to demonstrate VFM and ability to deliver to required quality and timescales in accordance with agreed service standards.
 - Make best use of technology – for example leverage the benefits of mobile solutions to capture tasks and manage workflow. Frontline teams to be enabled to view existing repairs and raise new repairs.
 - Improve diagnosis of repairs at first point of contact.
 - Customer engagement – to help shape new service model, demonstrate learning from complaints. Improve communications with customers and their perceptions of and satisfaction with the service.
 - Service delivery framework - to enhance collaboration between asset management and repairs teams balanced with clear accountabilities.
- Deliver improvement plan for Voids including:
 - procurement of voids contractor
 - business case for future delivery model to be presented to Executive for approval
- Cross-cutting actions:
 - establish client/contractor functions and review staffing resources.
 - review policies, processes, and procedures.
 - set out clear service standards for which we can be held accountable for by customers.
 - benchmarking: costs, standards, and performance

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Annual Governance Statement Action: Corporate Capacity To ensure the Council has the capacity to carry out all of its priorities as well as provide its core services and implement new government requirements as they arise the following actions are planned:

- Creation of service plans for 2024/25 in all service areas to ensure resource planning
- HR team to continue working with service leadership teams to prioritise recruitment and associated support plans
- Roll out of new Workforce Strategy

Principle F: Managing risks and performance through robust internal control and strong public financial management

Annual Governance Statement Action: IT Resilience and Cyber Security: The Shared IT Service to continue to implement the IT Strategy and Action Plan to enhance IT infrastructure, cyber security, and resilience by:

- Complete the implementation of the new ICT structure
- Implement the agreed new Target Operating Model for the ICT service (the new structure and roles and governance structure).
- Further develop cyber security policies
- Gain Cyber Assessment Framework Accreditation
- Complete the actions contained in the Cyber Treatment Plan
- Continue the work to implement new procedures to enhance recording, management and monitoring of software licence information and review the Council’s software licensing policies

Annual Governance Statement Action: Health and Safety: Continue to enhance and embed health and safety compliance and performance by:

- Continue the rolling programme of internal and external audits for medium and high-risk services
- Complete the implementation of health and safety enhancements for the Council's identified health and safety risks

Annual Governance Statement Action: Social Housings Regulation Bill: To deliver the proposals set out in the Social Housing White Paper which will give tenants greater powers, improve access to swift and fair redress and enhance the powers of the Social Housing Regulator, the following action is planned:

- Development and implementation of a resident/tenant engagement proposal to enable the tenants voice to influence Council policies and decision making and develop a governance structure for this
- Complete the relevant actions for 2024/25 contained in the Consumer Standards Action Plan
- Implement the process for capturing the 12 Tenant Perception measures which local authorities will be required to report on from March 2024.
- Commence a stock condition survey. This will run for the next 5 years.
- Develop and publish a new Communications Plan

Annual Governance Statement Action: Building and Fire Safety Acts: To deliver the proposals set out in the new Building Safety/Fire Safety Acts which have established new legal duties for landlord and building owners of higher-risk residential buildings to keep their buildings safe, the following action is planned:

- Contractors to carry out remedial work identified as a result of building inspections to be selected via procurement process
- Remedial work to be carried out by contractors
- Ongoing compliance monitoring to be carried out to ensure requirements of the Building and Fire Safety Acts are being met

Annual Governance Statement Action: Climate Change: To ensure Stevenage can meet the government's net zero target for the town by 2050, the following action is planned:

- Creation of a Climate Change Risk Register to assess the effects of climate change for SBC/Stevenage
- Generation of Pathway 1,2 and 3 reports to outline current working areas and recommendations to SLT
- Launch of Climate Action Plan portal
- Produce a Climate Change Action Plan based on the Climate Change Risk Register
- Promote government schemes and grants to the public to encourage decarbonisation town wide
- Upgrade the SBC Local Plan to include improved Climate Change considerations
- Work with businesses in Stevenage to encourage sustainable procurement
- Bid to central government for funding SBC lead carbon reduction projects.

To enhance governance further the following activity pertaining to best practice has been identified:

- Data protection training to be rolled out to staff
- Data Quality Policy to be updated and approved
- Information Governance Policy to be updated and approved.
- Review of performance measures to align with new Corporate Plan

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Governance for this principle is currently considered robust and no further governance activity is scheduled at this stage.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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