

STEVENAGE BOROUGH COUNCIL
STATEMENT OF ACCOUNTS COMMITTEE
(MEETING JOINTLY – IN PART – WITH THE AUDIT COMMITTEE)

MINUTES

Date: Wednesday, 28 February 2024

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Jeannette Thomas (Chair), Jackie Hollywell, Mason Humberstone, Sarah Mead, Adam Mitchell CC, Loraine Rossati and Graham Snell.

Start / End Time: Start Time: 6.00pm
End Time: 7.20pm

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 Audit Committee.

2 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Phil Bibby CC.

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.

At 19:16hrs, following the conclusion of the Audit Committee meeting, the Members of the Statement of Accounts Committee returned, and it was **RESOLVED** that Councillor Jeannette Thomas be elected as Chair of the Statement of Accounts Committee for the meeting.

The Assistant Director (Finance) reported that the Audit Committee had supported 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 approved.

4 URGENT PART I BUSINESS

None.

5 EXCLUSION OF PRESS AND PUBLIC

Not required.

6 URGENT PART II BUSINESS

None.

CHAIR