

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 11 June 2019

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, David Cullen, Lizzy Kelly and Graham Lawrence
Independent Member: Mr Geoff Gibbs

Also present: Neil Harris (Ernst and Young)
Nick Jennings (Shared Anti-Fraud Services)
Simon Martin (Shared Internal Audit Services)

Start / End Start Time: 6.00pm
Time: End Time: 7.51pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

There were no declarations on interest.

2 ELECTION OF VICE-CHAIR

It was **RESOLVED** that Councillor John Gardner be elected as Vice-Chair of the Committee for the 2019/20 Municipal Year.

3 MINUTES - 19 MARCH 2019

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 19 March 2019 be approved as a correct record and signed by the Chair.

4 TERMS OF REFERENCE

It was **RESOLVED** that the Terms of Reference for the Committee, as approved at the Annual Council Meeting held on 22 May 2019, be noted.

5 ACCOUNTS AND AUDIT TIMELINE 2018/19

The Committee considered a report submitted by Ernst and Young regarding the Accounts and Audit timeline for 2018/19.

Neil Harris, Ernst and Young, advised that they were experiencing staff turnover and challenges in recruiting new staff, which had affected the audit timetable. To ensure

that the Council received the best quality audit, it was proposed that the audit would now take place during August and September 2019.

The Committee was informed that Ernst and Young had explained their decision to Public Sector Audit Appointments, and had provided them with a reassurance that they would make every effort to minimise inconvenience to clients and to complete rescheduled audits as soon as possible after 31 July 2019.

Neil Harris commented that, whilst Ernst and Young always strived to provide excellent client service, his first priority must be to safeguard the quality of the audits provided in order to avoid putting professional standards at risk. He apologised for the inconvenience that the rescheduling of the audit may cause the Council.

In debating the fact that Ernst and Young had revised the timetable for the 2018/19 Accounts and Audit, with completion during September 2019 rather than by 31 July 2019, the Associate Partner (Ernst and Young) and the Assistant Director (Finance and Estates) replied to a series of Members' questions and comments as follows:

- Ernst and Young would be “front loading” as much audit work as possible during end of July/early August, so as not to run too close to the September 2019 Committee deadline for completion of the work;
- The Council would still be able to publish its Accounts by the end of July 2019 (albeit with no audit opinion);
- There was a strategic risk to the Council, although experience had shown that audits generally raised valuation issues rather than income/expenditure issues; there was potentially more risk in terms of SBC staffing/resourcing resilience in support of the audit;
- The Ernst and Young audit team was now in place to deliver the audit by the September 2019 deadline, and a Project Plan was to be submitted to the Assistant Director (Finance and Estates); and
- There was a discussion on the sustainability and future challenges facing public sector audit; the Assistant Director (Finance and Estates) would reflect the Council's views in her representation to the Society of Local Authority Treasurers, and it was confirmed that Ernst and Young were engaging proactively in the future reviews into the audit market.

It was **RESOLVED** that the revised Accounts and Audit Timetable for 2018/19, as set out in the letter from Ernst and Young dated 26 April 2019, be noted.

6 ANNUAL AUDIT FEE LETTER 2019/20

The Committee received the Annual Audit Fee Letter for 2019/20.

Neil Harris, Ernst and Young, advised that Public Sector Audit Appointments (PSAA) had set the indicative audit fees for 2019/20. The scale fee would be £49,283 (unchanged from 2018/19), to be billed in four quarterly instalments.

In response to a Member's question regarding potential additional audit fees for work associated with items such as group accounts or a review of the Queensway Scheme, the Assistant Director (Finance and Estates) advised that she would be

writing to Public Sector Audit Appointments (PSAA) seeking clarification of precisely what audit work was included in the Annual Audit Fee.

For the specific benefit of new Members of the Committee, the Assistant Director (Finance and Estates) undertook to provide them with a glossary of relevant acronyms and their definitions.

It was **RESOLVED** that the Annual Audit Fee Letter for 2019/20 from Ernst and Young dated 29 April 2019 be noted.

7 2018/19 ANNUAL FRAUD REPORT AND PROGRESS WITH DELIVERY OF 2019/20 ANTI-FRAUD PLAN

The Committee considered the Shared Anti-Fraud Service (SAFS) 2018/19 Annual Fraud report and progress with delivery of the 2019/20 Anti-Fraud Plan.

The Shared Anti-Fraud Manager tabled and explained a set of comparison statistics for various activities carried out by SAFS since 2015/16.

The Shared Anti-Fraud Manager stated that, in 2018/19, SAFS had deployed 1 member of staff to work exclusively for the Council, providing management and direction for the Council's own Tenancy Fraud Investigator. These officers were supported by the SAFS Intelligence Team.

The Shared Anti-Fraud Manager referred to the SAFS Key Performance Indicators for 2018/19 set out in the report and commented that he was content with performance against these indicators. During 2018/19 SAFS had received 162 allegations of fraud, primarily related to Housing Benefits and Council Tax related cases.

In terms of progress with the 2019/20 Anti-Fraud Action Plan, the Committee was informed that 66 live cases were carried forward from 2018/19. Attention was drawn to data required to be published as part of the Ministry of Housing, Communities and Local Government's Transparency Code, as set out in Paragraph 4.3 of the report.

In response to a series of questions, the Shared Anti-Fraud Manager responded as follows:

- In relation to Key Performance Indicator 2 (Identified value of fraud), this target was based on the history and experience of previous years, together with comparative information with work carried out for other Councils in the partnership;
- The management information for 2019/20 was not as detailed as would normally be the case, primarily due to a change in software supplier. However, this situation would be resolved by the end of June 2019, and so the next SAFS progress report would provide the level of detail required;
- Publicity on successful prosecutions was provided to the local Press and published on the Council's website. The SAFS Manager undertook to include details of how many prosecutions were reported in the local Press as part of his next and future progress reports.

It was **RESOLVED**:

1. That the activity undertaken by the Shared Anti-Fraud Service to deliver the 2018/19 Anti-Fraud Plan for the Council, as set out in the report, be noted.
2. That the other anti-fraud activity undertaken to protect the Council, as set out in the report, be noted.
3. That the progress of the Shared Anti-Fraud Service on delivering the 2019/20 Anti-Fraud Plan, as set out in the report, be noted.

8 AUDIT PLAN 2019/20 - PROGRESS REPORT

The Committee considered a progress report on the Shared Internal Audit Service (SIAS) Audit Plan 2019/20 for the period to 17 May 2019.

The SIAS Client Audit Manager referred to the summarised position of the 2019/20 audits, as set out in Paragraph 2.3 of the report.

In terms of the High Priority Recommendations, the SIAS Client Audit Manager that feedback on the CCTV recommendations would be provided at the next Committee meeting; the Cyber Security recommendations were being worked on, with a view to plans being in place in the near future; and new recommendations had been added in relation to Community Safety, TSS Improvement Plan and ICT Incident Management.

It was **RESOLVED**:

1. That the Internal Audit progress report be noted.
2. That the status of Critical and High Priority Audit Recommendations be noted.

9 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2018/19

The Committee considered a report detailing the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of the Council's control environment; self-assessment against the Public Sector Internal Audit Standards (PSIAS); performance against delivering the Council's Audit Plan; and the Audit Charter 2019/20.

In terms of the overall opinion for 2018/19, the SIAS Client Manager advised that Good Assurance had been achieved for the Council's Financial Systems and that Satisfactory Assurance had been achieved for the Council's Non-Financial Systems. He added that the SIAS Head of Assurance had confirmed that no matters had threatened SIAS's independence during the year, and SIAS had not been subject to any inappropriate scope or resource limitations.

The SIAS Client Audit Manager referred to Section 3 of the report, which provided an overview of Internal Audit activity at the Council in 2018/19, and Section 4 which outlined the performance of SIAS in 2018/19. It was noted that the 2019/20 Audit Charter, attached as Appendix D to the report, was unchanged from the 2018/19 version.

The Assistant Director (Finance and Estates) confirmed that the scope and resources for internal audit were not subject to any inappropriate limitations in 2018/19.

It was **RESOLVED**:

1. That the Annual Assurance Statement and Internal Audit Report be noted.
2. That the results of the self-assessment required by the Public Sector Internal Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. That the SIAS Audit Charter 2019/20 be accepted.
4. That management assurance be given that the scope and resources for internal audit were not subject to inappropriate limitations in 2018/19.

10 ANNUAL GOVERNANCE STATEMENT 2018/19

The Committee considered a report regarding the content of the Council's Annual Governance Statement (AGS), following the review of the effectiveness of the Council's system of internal control and governance arrangements.

The Committee noted progress against the 2018/19 AGS, as well as planned improvement activity for 2019/20. The Framework for compiling the AGS was set out in Appendix 2 to the report; evidences and processes in Appendix 3; and Business Unit level Assurance Statements in Appendix 4. The Corporate Governance Group met quarterly to monitor progress against the actions contained in the AGS.

In reply to a Members' comment, Officers confirmed that the questions posed to Assistant Directors as part of the process in developing the Annual Governance Statement (in accordance with the CIPFA/SOLACE Framework) were challenging and robust.

It was **RESOLVED** that the Council's Annual Governance Statement 2018/19, as attached at Appendix One to the report, be recommended for approval by the Statement of Accounts Committee.

11 URGENT PART 1 BUSINESS

None.

12 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

13 STRATEGIC RISK REGISTER

The Committee considered a Part II report in respect of the latest Strategic Risk Register for the Council and developments on risk management issues.

The Interim Strategic Director answered a number Members' questions regarding ICT issues.

It was **RESOLVED**:

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

14 URGENT PART II BUSINESS

None.

15 PART II MINUTES - AUDIT COMMITTEE - 19 MARCH 2019

It was **RESOLVED** that the Part II Minutes of the Audit Committee meeting held on 19 March 2019 be approved as a correct record and signed by the Chair.

CHAIR