

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 9 June 2020

Time: 6.00pm

Place: Virtual (via Zoom)

Present: Councillors: Teresa Callaghan (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly and Graham Lawrence
Mr Geoffrey Gibbs (Independent Co-opted Member)

Start / End Time: Start Time: 6.00pm
End Time: 8.15pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

There were no declarations of interest.

The new Chair conveyed Councillor Maureen McKay's gratitude for Members' support during her time on the Audit Committee. A Member requested that individual agenda reports be bound separately.

2 MINUTES - 3 FEBRUARY 2020

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 3 February 2020 be approved as a correct record and signed by the Chair.

3 TERMS OF REFERENCE

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 20 May 2020, be noted.

4 PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) ANNUAL AUDIT FEE LETTER

Strategic Director (CF) updated Members on the Public Sector Audit Appointments (PSAA) annual audit fee letter. The PSAA letter highlighted a change from the previous practice of audit firms contacting bodies directly and the significant pressures on audit fees. PSAA acknowledged that there would be fee variations due to turbulence and changes in the local audit environment.

Members expressed concerns regarding variations in scale fees indicated in the PSAA letter and those quoted by the external auditor (Ernst & Young). The Strategic Director informed the Committee that several reviews relating to market

pressures had been carried out. Market pressures were affecting E&Y and other audit firms. She assured Members that she would be responding to the PSAA annual audit fee letter. It was noted that the fees for SBC appeared to be at the higher end of scale fees relative to fees for other local authorities in Hertfordshire.

It was **RESOLVED** that the Annual Audit Fee Letter for 2020/21 from Public Sector Audit Appointments (PSAA) dated 30 April 2020 be noted.

5 **EXTERNAL AUDIT PLANNING REPORT 2019/20**

The Associate Partner (E&Y) presented the External Audit Planning Report for 2019/20. The report included an overview of E&Y's 2019/20 audit strategy, audit risks, value for money risks, audit materiality and scope of the audit.

Members expressed concerns regarding the significant difference between PSAA scale fees and the quote from Ernst & Young (E&Y). The Committee also sought clarification on the following:

- External audit procurement process
- Volatility of SBC relative to other local authorities
- Resource challenges at E&Y
- Impact of Covid-19 on the national economy

The Committee noted that the Council had accommodated audit delays relating to resources issues at E&Y in the previous financial year. It was acknowledged that all sectors of the economy would be affected by Covid-19 pandemic.

In response to Members' questions, the Associate Partner (E&Y) replied:

- The majority of local authorities were facing financial pressures due to responses to the Covid-19 pandemic. Auditors had to take this into consideration in their assessments
- SBC was in a relatively more volatile position due to the swift and wide-ranging response to the pandemic. The Council had suffered significant losses of income
- E&Y had been open about resources issues. Specialist resources were drawn in to work on the complex arrangements at Queensway LLP
- E&Y carried out representative sample testing to ensure that the definition of capital receipts was met
- The assessment on whether SBC was a going concern referred to a period of 12 months

Strategic Director (CF) informed the Committee that:

- The Council was quick in identifying the impact of Covid-19 on finances
- Monitoring measures had been put in place and Executive received regular updates
- Review of the Medium Term Financial Strategy and Impact of Covid-19 on the Council's General Fund Revenue Budget were on the agenda of the 10 June meeting of the Executive
- The Council set de minimis levels to distinguish capital from revenue spending
- It would be difficult for Councils to cope unless the Government provided additional financial support. SBC continued to work with other local authorities to lobby the Government
- Confidence in the competency of staff was high and therefore the risk of miscalculation of capital receipts as revenue was low
- SBC was not involved in wholesale commercial property assets sales. Therefore the risk associated with valuation of market-based property assets was not significant. This issue had been raised with E&Y in the past
- SBC was not at a point of issuing a section 114 Notice and therefore it was a going concern. The Council had taken measures to mitigate risks relating to Covid-19

It was **RESOLVED** that Ernst & Young's External Audit Planning report for 2019/20 be noted.

6 **PROPOSED SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2020/21**

The Head of Service (Shared Anti-Fraud Service) presented the proposed Shared Anti-Fraud Service (SAFS) Plan 2020/21.

The Head of Service (SAFS) informed the Committee that following the announcement of lockdown measures, SAFS had reviewed its business-as-usual procedures and suspended some services. All officers worked remotely and they were still able to provide rapid response to threats. SAFS provided advice and raised alerts for threats relating to Covid-19 business support measures. The service also raised awareness about increased cyber-attack risks due to remote working arrangements during the Covid-19 pandemic. SAFS shared information relating to internet scams and phishing with local authorities and Government bodies such as HMRC and Action Fraud.

The Head of Service (SAFS) indicated that the Anti-Fraud Plan 2020/21 had been

compiled using a Fighting Fraud & Corruption Locally Strategy that has since been updated. The Head of Service stated that the new Fighting Fraud & Corruption Locally Strategy and CIPFA 2020 Report - Perspectives on Fraud would be circulated to Members.

In response to questions, the Head of Service (SAFS) stated there was a focus on preventing fraud. Fraud had financial and/or reputational impact on individuals and organisations.

Strategic Director (CF) informed the Committee that the Department for Work and Pensions (DWP) had the remit for housing benefit fraud.

It was **RESOLVED** that the SAFS/SBC Anti-Fraud Plan 2020/2021 be approved.

7 **SIAS INTERNAL AUDIT PLAN 2020/21**

The SIAS Client Audit Manager presented the proposed Stevenage Borough Council Internal Audit Plan 2020/21. The Committee were advised about the impact of COVID-19 on Audit Plan delivery. In response to a question, the SIAS Client Audit Manager indicated that SIAS would liaise with senior managers about prioritising audits for the remainder of 2020/21. Changes to the Audit Plan would be brought to the Committee's attention in future SIAS Progress Reports.

It was **RESOLVED** that the proposed Stevenage Borough Council Internal Audit Plan for 2020/21 be approved.

8 **ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2019/20**

The SIAS Client Audit Manager presented the Stevenage Borough Council Annual Assurance Statement and Annual Report 2019/20.

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 2020/21 be accepted.
4. That management assurance be given that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20.

9 **ANNUAL GOVERNANCE STATEMENT 2019/20 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer reported that preparations for the drafting of the Annual Governance Statement 2019/20 had been affected by the Covid-19 pandemic. The Governance Statement would be updated for a review at

the November Audit Committee meeting. The Planned Improvement Activity for 2020/21 included a number of high level strategic risks. Seven of the actions on the Improvement Plan had been carried over from 2019/20. The Plan had three new actions relating to the governance structure for the corporate landlord function, commercial agenda and Covid-19 recovery.

The Corporate Performance and Improvement Officer confirmed that Service Governance Actions had been submitted by Assistant Directors. Strategic Directors and the Chief Executive received progress updates on the actions at Senior Leadership Team (SLT) meetings. In some cases, actions that were common to multiple service areas were classified as corporate actions. The Corporate Performance and Improvement Officer also highlighted the recommendation for an annual review of the Council's Local Code of Corporate Governance.

It was **RESOLVED**:

- 1 That the Council's 2019/20 Annual Governance Statement, attached as Appendix One, be recommended for approval by the Statement of Accounts Committee.
- 2 That changes to the Council's Local Code of Corporate Governance, attached at Appendix Two, be approved.

10 **URGENT PART 1 BUSINESS**

None.

11 **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.

12 **STRATEGIC RISK REGISTER**

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

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.

13 **URGENT PART II BUSINESS**

None.

CHAIR