

# STEVENAGE BOROUGH COUNCIL

## AUDIT COMMITTEE MINUTES

**Date: Thursday, 10 September 2020**

**Time: 6.00pm**

**Place: Virtual (via Zoom)**

**Present:** Councillors: John Gardner (Vice-Chair in the Chair), Sandra Barr, Laurie Chester and Graham Lawrence.  
Mr Geoff Gibbs (Independent Co-opted Member).

**Start / End** Start Time: 6.00pm

**Time:** End Time: 8.34pm

### **1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors Teresa Callaghan (Chair) and Stephen Booth.

There were no declarations of interest.

### **2 MINUTES - 9 JUNE 2020**

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 9 June 2020 be approved as a correct record and signed by the Chair.

In relation to Minute 4 – Public Sector Audit Appointments (PSAA) Annual Audit Fee Letter, the Strategic Director (CF) advised that all Hertfordshire Local Authorities with Ernst & Young as their external auditors had written to the PSAA expressing concerns about the proposed increased audit fee level for 2020/21.

### **3 SHARED ANTI-FRAUD SERVICES (SAFS) ANTI-FRAUD REPORT 2019/20 AND PROGRESS WITH DELIVERY OF 2020/21 ANTI-FRAUD PLAN**

The Head of the Shared Anti-Fraud Service (SAFS) presented a report on the Anti-Fraud Plan 2019/20 and progress with delivery of the 2020/21 Anti-Fraud Plan.

The Head of SAFS referred to Appendix A to the report, which was the latest Government Strategy on Fighting Fraud and Corruption Locally. He commended this Strategy to the Committee.

In respect of the Covid-19 pandemic, the Head of SAFS advised that SAFS had continued to provide support to the Council, both in tackling a significant increase in cybercrime activities and in relation to SBC's small grants schemes, which were at risk of fraud.

With regard to the 2019/20 Anti-Fraud Plan, the Head of SAFS stated that all actions proposed for the year had commenced in-year, with the majority being completed. He drew attention to the SAFS Key Performance Indicators (KPIs) for 2019/20, which had been largely met. The two KPIs not met, namely allegations of fraud received/success rates for cases investigated and making better use of data to prevent/identify fraud (including implementation of the Herts Fraud Hub) had been carried over into 2020/21.

The Head of SAFS commented that, during 2019/20, SAFS had received 156 allegations of fraud affecting SBC services, with the report containing a breakdown of types of fraud reported and who had reported the fraud. The report also provided some case studies of a number of SAFS investigations.

The Head of SAFS referred to the proactive work undertaken by SAFS identifying fraud through the use of data, including Council Tax fraud. He then drew attention to the 2019/20 audit of SAFS carried out by the Shared Internal Audit Service, and was pleased to report that the service had achieved a Good level of assurance.

The Head of SAFS advised that Section 4 of the report contained the information/data required to be published by local authorities under the Government's Transparency Code, and concluded his presentation by referring to Appendix D to the report, which provided the SBC Reported Fraud statistics for 2019/20.

In response to Member's questions, the Head of SAFS stated:

- The National Fraud Initiative required, every two years, the upload of local authority fraud data in October to the Cabinet Office. The Cabinet Office provided a return to Councils the following February advising where fraud had been identified through data matching. There was often a delay in addressing the information provided by the NFI, with some service areas responding quicker than others. Officers were working to speed up this process in future years;
- He would contact SBC's Communications and IT Teams with a view to improving and simplifying the process for members of the public to report fraud, both through the Council's website and via the telephone;
- In respect of the achievement of 48% of fraud cases investigated and closed in 2019/20 against a target of 60%, he felt that this target was sufficiently challenging and allowed SAFS to concentrate its effort on delivering a significant level of savings for SBC; and
- The one grant application referred to in Paragraph 2.15 of the report that was the subject of suspected fraud was still under investigation.

It was **RESOLVED:**

1. That the Council's work to combat fraud in 2019/20 be noted.
2. That the performance of the Shared Anti-Fraud Service in meeting its Key Performance Indicators in 2019/20 be noted.

#### **4 JOINT ICT INVESTMENT STRATEGY - PRESENTATION ON PROGRESS**

The Strategic ICT Partnership Manager gave a visual presentation providing an update on the Joint ICT Strategy.

The Strategic ICT Partnership Manager advised that 80% of ICT capacity was spent delivering “business as usual”, including supporting 1,000 staff and Members (EHDC and SBC combined) and supporting over 2,000 devices and 150 systems/applications; carrying out scheduled maintenance of network and infrastructure; responding to the Covid-19 pandemic, such as remote working and deploying laptops; and handling major incidents.

The Strategic ICT Partnership Manager stated that the key focus of the current ICT programme was to ensure a stable platform, incorporating security, performance and resilience. He provided an update on the ICT Programme, including the Network upgrade; Virtual Desktop Infrastructure (VDI); Microsoft 365; Windows 7 to 10 upgrade; Windows server upgrade; Microwave link; and device upgrade and encryption. He then summarised the elements of the ICT programme which had been completed, including Meta-compliance (Cyber security); GCSX cessation; Windows server upgrades; Member laptop rollout; and e-mail and web filtering replacement.

The Strategic ICT Partnership Manager outlined the key risks facing the ICT service, including a potential second wave of Covid-19 (which may impact upon key project milestones); a possible delay to the Network upgrade project pending completion of additional work; and a knock on impact delaying other projects (such as VDI and Microsoft 365) should the network upgrade risk materialised.

The Strategic ICT Partnership Manager concluded his presentation by drawing attention to the budgetary position with the SBC share of the major ICT projects.

In response to a Member’s question, the Strategic ICT Partnership Manager stated that he was confident that the higher cost items in the Strategy would be delivered within budget. What was less quantifiable was, for example, the precise cost of upgrading up to 2,000 individual ICT devices.

The Chair requested that a further update presentation/report be submitted to the Committee in 6 months’ time (ie. to its March 2021 meeting).

It was **RESOLVED** that the presentation be noted.

#### **5 ANNUAL TREASURY MANAGEMENT REVIEW OF 2019/20 INCLUDING PRUDENTIAL CODE**

The Strategic Director (CF) presented a report on the Annual Treasury Management Review of 2019/20, including the Prudential Code.

The Strategic Director (CF) advised that, in 2019/20, the Council’s investment interest rates had remained low, due to low base rates. A rate of 0.75% had been originally estimated, which in March 2020 was cut to 0.25% and then 0.1%, due to

the start of the Covid-19 pandemic. The Council's interest earned in 2019/20 was £624,000 (an average interest rate of 0.98%).

In respect of borrowing in 2019/20, the Strategic Director (CF) explained that there had been an unexpected increase of 1% in PWLB lending rates, although this was subsequently reversed for housing. This meant that the HRA could borrow at 1.54% over 20 years, compared to the targeted budget rate of 3.4%, with a resultant reduction in HRA spend. Much of the Council's borrowing (£169M) was longer term (10+ years), most of which related to the HRA Business Plan.

With regard to cash reserves, the Strategic Director (CF) commented that the chart in Paragraph 4.2.5.2 of the report showed how these were allocated at the end of March 2020. However, in 2020/21 there would be a draw down on balances of £3M due to the impact of Covid-19. The MTFs included an estimate that the total Covid-19 losses over the next few years could be in the region of £8M.

The Strategic Director (CF) referred to two land transfers set out in the report, one from the General Fund to the HRA and the other vice versa. In respect of the Council's projected external investment balances, she advised that the report showed a decline in these, although the Council was holding higher HRA balances deliberately, in order to take some borrowing due to the raising of the HRA debt cap, rather than the use of cash reserves.

In response to a Member's question regarding the Council's cash reserves, the Strategic Director (CF) confirmed that the vast majority of these were allocated, including £10M for Council Tax and Business Rates, the majority of the former being collected on behalf of HCC; £10M for restricted use capital receipts; £13M for Capital projects; £17M HRA balance for payment of debt; and £5M for HRA interest rate fluctuations.

In reply to another Member's question in respect of Government financial support to SBC throughout the Covid-19 pandemic, the Strategic Director (CF) stated that £1.2M had been received. The latest Government Income Guarantee Scheme including funding towards items such as lost car parking income, but excluded loss of income relating to Council Tax, Business Rates, Investments, all rents and Third Party Local Authority Leisure Providers (e.g. Stevenage Leisure Limited). She estimated that the Council may receive a further £1.5M to £1.7M of further Government support funding, bringing it to a maximum total of £3M, which was unlikely to cover 50% of SBC's overall losses during the pandemic. She was concerned that the Government's support funding was very much based on what had occurred since March 2020, and did not take into account the likely continued reduced income in 2021 and beyond.

It was **RESOLVED** that, subject to any comments from the Executive, the 2019/20 Annual Treasury Management Review be recommended to Council for approval.

## **6 URGENT PART 1 BUSINESS**

The Chair accepted the following item of urgent Part I business.

## Redmond Report

The Strategic Director (CF) outlined the major recommendations contained in the recently published Redmond Report, an independent review on the quality of local authority financial reporting and external audit. Consultation on the review ran from 17 September 2019 to 20 December 2019, and consultees included as external audit firms, the PSAA (the procuring body for local authority external auditors) and individual councils.

The Strategic Director (CF) explained the major recommendations, many of which would require primary or secondary legislation, and which were:

40% of auditors had failed to meet the statutory deadline in 2018/19, and this was considered to be a serious weakness in the ability of external auditors to comply with contractual obligations. The recommendation was that the deadline should revert back to the previous deadline of 30 September each year;

The creation of a new regulatory body (the Office of Local Audit & Regulation – OLAR), responsible for procurement, contract management, regulation and oversight. It would take on the work of the PSAA, Financial Regulatory Council and Comptroller & Auditor General;

There would be a resource implication of increased audit fees, as this new audit body would require about £5M a year for running costs;

There was recommendation for a simplified Statement of Accounts to allow comparison with the Council's budget. However, this would be in addition to the preparation of the formal Statement of Accounts, with a requirement for both documents to be audited;

The Annual Audit report would need to be submitted for approval to a Council Meeting (rather than the Statement of Accounts Committee);

A revision of the fee structure for local authority audit would be required, to ensure that adequate resources were deployed;

Audit firms with the requisite capacity and skills would no longer be excluded from bidding for local authority work; and

CiPFA and LASAAC would be required to review the statutory accounts with a view to the introduction of a standardised statement.

The Strategic Director (CF) advised that she would be submitting a full report on the Redmond Report to the next meeting of the Audit Committee. She undertook to arrange for Audit Committee Members to be sent a link to the Report on the Government's website.

## **7 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.

## **8 PART II MINUTES - AUDIT COMMITTEE - 9 JUNE 2020**

It was **RESOLVED** that the Part II Minutes of the Audit Committee meeting held on 9 June 2020 be approved as a correct record and signed by the Chair.

## **9 QUEENSWAY NORTH PROJECT - FINANCIAL RISKS**

The Assistant Director (Regeneration) presented a report and gave a visual presentation on the Queensway North Scheme, in particular the financial risks associated with the project.

The Assistant Director (Regeneration) and Strategic Director (CF) answered a number of Members' questions regarding the report.

The Chair requested that a further update report on the Queensway North project be submitted to the Committee in 12 months' time.

It was **RESOLVED**:

1. That the latest position of the project and the progress made to deliver the scheme be noted.
2. That the governance arrangements implemented to ensure the efficient delivery of the project be noted.
3. That the progress on mitigating key risks to the Council be noted.

## **10 STRATEGIC RISK REGISTER**

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

The Performance & Resilience Officer updated the Committee on changes to key risks and answered Members' questions.

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.

**11 URGENT PART II BUSINESS**

None.

**CHAIR**