

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Wednesday, 10 November 2021

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Teresa Callaghan (Chair), Myla Arceno, Stephen Booth, Graham Lawrence, Maureen McKay and Claire Parris.
Mr Geoffrey Gibbs (Independent Co-opted Non-voting Member).

Start / End Start Time: 6.00pm

Time: End Time: 7.00pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting, especially Martin Hone (Interim Assistant of Finance & Estates) who was attending his first meeting of the Committee.

Apologies for absence were submitted on behalf of Councillors Julie Ashley-Wren, John Gardner, Nicholas Leech and Lou Rossati.

There were no declarations of interest, although Mr Geoff Gibbs (Independent Co-opted Non-voting Member) stated that, as Item 5 on the agenda related to his position on the Committee, he would be withdrawing from the meeting prior to Members' consideration of that item.

2 MINUTES - 8 SEPTEMBER 2021

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 8 September 2021 be approved as a correct record and signed by the Chair.

3 APPOINTMENT OF EXTERNAL AUDITORS - OPTING IN TO THE PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) PROCESS

The Interim Assistant Director (Finance & Estates) presented a report in respect of opting in to the Public Sector Audit Appointments (PSAA) process for the appointment of external auditors covering the period April 2023 to March 2028.

The Interim Assistant Director (Finance & Estates) advised that Local Authorities were required under legislation to appoint their own External Auditors. The Local Audit and Accountabilities Act 2014 required Local Authorities to decide between opting from one of the following two options available:

1. The Council running its own procurement exercise; or

2. Utilising the Public Sector Audit Appointments (PSAA), under the appointing persons regime (Local Audit (Appointing Person) Regulations 2015).

The Committee noted that Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 required that a decision to opt-in must be made by Full Council.

The Interim Assistant Director (Finance & Estates) reminded Members that the Council opted-in to the last procurement exercise undertaken by PSAA in 2017 and, under this agreement, External Audit services had been supplied through the PSAA procurement route for the accounts since 2018/2019. This arrangement will end for the accounts for 2022/2023 and PSAA was undertaking the next procurement exercise for the external audit of the accounts from 2023/2024 for a period of 5 years. As Members were aware, the Council's auditors were Ernst & Young.

As outlined in the report, the Interim Assistant Director (Finance & Estates) had concluded that there were no obvious benefits in the Council appointing its own External auditor. The benefits of continuing with the PSAA regime were stated in the report, including the fact that the auditors appointed by the PSAA possessed significant experience of working with public sector organisations and the complexities associated with undertaking local authority audits. This option was therefore recommended.

In response to a series of Members' questions, the Strategic Director (CF) commented as follows:

- the PSAA process for the appointment of auditors would comprise 89 lots and 2 development lots. The PSAA would allocate auditors, and whilst it was possible that Ernst & Young would be appointed again for SBC, there was no way of knowing. The PSAA was endeavouring to attract "new" audit firms to participate in the process;
- the scale annual audit fee was quite low in value (approx. £49,000), but because of the increased rigour required by the Government in the audit of local authority accounts the likelihood of "add-on" fees was increased. This was particularly the case should an authority (like SBC) have a Housing Revenue Account and substantial Capital Programme, which increased the complexities and risk levels of the audit;
- at present, most of the Hertfordshire local authorities were audited by Ernst & Young. Going forward, the authorities in each lot would not necessarily be audited by the same audit company;
- the nationwide shortage of auditors (and the specialist nature of local authority audit) would lead to the conclusion that to opt-in to the PSAA process would seem a prudent approach, both in terms of the resilience and experience of those undertaking the audit. To opt out would place the Council at risk of a sub-standard audit or possibly being in a position where it was unable to appoint any suitable audit firm; and
- there was no monetary fine for being late in the finalisation of an audit, although there would always be a knock-on impact on future audits. The exception was for Housing Benefits audits, whereby the Department of Work & Pensions could fine authorities for a late return. Fortunately, they had chosen not to do so during the Covid pandemic.

It was **RESOLVED:**

1. That Council be recommended to approve that SBC will opt in to the appointing arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of External Auditors covering the period April 2023 to March 2028.
2. That the Strategic Director (Section 151 Officer) confirms SBC's interest in undertaking the opt-in appointing process following ratification by Council.

4 ADOPTION OF AN ANTI-FRAUD & CORRUPTION STRATEGY; ANTI-MONEY LAUNDERING POLICY; AND FRAUD SANCTIONS POLICY

The Interim Assistant Director (Finance & Estates) presented a report seeking approval to the adoption of an Anti-Fraud & Corruption Strategy; an Anti-Money Laundering Policy; and a Fraud Sanctions Policy.

In respect of the Anti-Fraud & Corruption Strategy, the Interim Assistant Director (Finance & Estates) advised that the document had been updated to reflect best practice and was consistent with the strategies adopted by Hertfordshire County Council and the other Hertfordshire Borough/District Councils that participated in the Shared Anti-Fraud Service.

With regard to the Anti-Money Laundering Policy, the Interim Assistant Director (Finance & Estates) commented that, even though there were an increasing number of electronic monetary transactions, it was felt that the policy was robust and fit for purpose. Any suspected money laundering incidents were required to be reported to the Shared Anti-Fraud Service.

In relation to the Fraud Sanctions Policy, the Interim Assistant Director (Finance & Estates) stated that this was mainly geared towards internal processes and procedures. The sanctions in the policy ranged from "no further action" to "criminal prosecution", all as set out in the document. Once commenced, the reporting process would remain confidential.

It was **RESOLVED:**

1. That the proposed Anti-Fraud and Corruption Strategy, as set out at Appendix A to the report, be adopted.
2. That the proposed Anti-Money Laundering Policy, as set out at Appendix B to the report, be adopted.
3. That the proposed Fraud Sanctions Policy, as set out at Appendix C to the report, be adopted.

5 INDEPENDENT MEMBER OF AUDIT COMMITTEE

[Prior to the consideration of the report, the Independent Co-opted Non-voting Member (Mr Geoff Gibbs) withdrew from the meeting for the duration of the

Committee's debate on this item.]

The Interim Assistant Director (Finance & Estates) presented a report in respect of proposed extension for one year of the term of office of the current Independent Co-opted Non-voting Member of the Audit Committee.

The Interim Assistant Director (Finance & Estates) advised that the four year term of office of the current Independent Co-opted Non-voting Member expired in July 2022. The report proposed a one year extension to this term of office. The current incumbent had indicated that he would be willing for his tenure to be extended, and the Chair of the Committee had expressed her support to this course of action. The current incumbent had indicated that he would like to become more involved in the scrutiny work undertaken in support of the activities of the Committee.

In reply to a Member's question as to whether Mr Gibbs could re-apply for the position at the end of his one-year extension, the Strategic Director (CF) advised that best practice was for the rotation of Independent Members. She added that the qualification required to act as the Independent Member was some form of extensive governance/finance experience.

The Strategic Director (CF) undertook to provide Committee Members with the Job Description for the Independent Member, and to seek the views of Mr Gibbs on this document in due course, prior to the commencement of the recruitment process for a new Independent Member.

It was **RESOLVED** that the tenure of the current Independent Member of the Committee (Mr G. Gibbs) be extended for a further year (from July 2022 to July 2023) on the same terms as previously agreed.

6 PROGRESS OF CORPORATE AND SERVICE GOVERNANCE ACTIONS

The Corporate Performance & Improvement Officer presented a Mid Year update report detailing the progress of Corporate and Service governance actions identified in the Council's 2020/21 Annual Governance Statement.

In respect of Corporate Governance enhancement activity, the Corporate Performance & Improvement Officer advised that this was 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. Appendix A to the report outlined the progress on Corporate Governance enhancement actions included in the 2020/21 Annual Governance Statement from April to September 2021.

With regard to Service Governance Enhancement activity, the Corporate Performance & Improvement Officer explained that this related to business unit level activity and, in order to comply with the principles of good governance, required all Assistant Directors to complete, certify and return a Service Assurance Statement each year. Appendix B to the report outlined the progress of Service Governance enhancement actions identified during the service assurance review of service

governance at business unit level from April to September 2021.

The Corporate Performance & Improvement Officer commented that the Committee would receive a full year update on both Corporate and Service Governance actions at its March 2022 meeting.

In response to a question from the Chair, the Strategic Director (CF) replied that a small number of the Service governance actions shown as “not started” within the Finance & Estates service area was primarily due to staffing/resourcing issues, and that once recruitment to key posts took place these actions would be progressed.

It was **RESOLVED:**

1. That the progress to date of corporate governance actions to strengthen the Council’s corporate governance arrangements, as identified in the Council’s 2020/21 Annual Governance Statement reported to Audit Committee on 8 June 2021, be noted.
2. That the progress to date of service governance actions identified by the 2020/21 Service Assurance reviews carried out at business unit level to strengthen the Council’s service governance arrangements, as reported to Audit Committee on 8 June 2021, be noted.

7 MID YEAR REVIEW OF TREASURY MANAGEMENT STRATEGY 2021/22

The Interim Assistant Director (Finance & Estates) presented a report updating the Committee on Treasury Management activities in 2021/22 and reviewing the effectiveness of the 2021/22 Treasury Management and Investment Strategy, including the 2021/22 prudential indicators.

The Interim Assistant Director (Finance & Estates) had nothing to add to the report, and commented that it was pertinent to the Treasury Management Training undertaken by Audit Committee and Executive Members in October 2021.

In reply to Members’ questions, the Strategic Director (CF) stated:

- the demolition of Swingate House (cost estimate £900,000) referred to in Paragraph 4.1.4 of the report was part of the Development Agreement with Mace, the main contractor for the SG1 regeneration project. These funds needed to be drawn down by February 2022, and the £900,00 figure was the best estimate of costs; and
- it was anticipated that the Council would be advised of its share of the Government’s £4.8Billion grant funding for Local Government for the next three years in mid-December 2021. She had no inkling as to the amount of grant likely to be received by the Council.

It was **RESOLVED:**

1. That Council be recommended to approve the 2021/22 Treasury Management Mid Year review.

2. That Council be recommended to approve the latest approved Countries for Investments list (Appendix D to the report).
3. That the updated authorised and operational borrowing limits be approved (Paragraph 4.4.7 in the report).
4. That the impact of the outstanding decision set out in Paragraph 4.1.4 of the report be noted.

8 URGENT PART I BUSINESS

None.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

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 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. That 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.

10 PART II MINUTES - AUDIT COMMITTEE - 8 SEPTEMBER 2021

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 8 September 2021 be approved as a correct record and signed by the Chair.

11 STRATEGIC RISK REGISTER

The Corporate Performance & Improvement Officer presented a report in respect of the latest SBC Strategic Risk Register.

The Corporate Performance & Improvement 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.

12 URGENT PART II BUSINESS

None.

CHAIR