

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Wednesday, 7 September 2022

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Maureen McKay (Chair), Myla Arceno, Alex Farquharson, Jackie Hollywell, Maureen McKay and Loraine Rossati.
Mr Geoff Gibbs (Independent Co-opted Non-voting Member).

Start / End Start Time: 6.00pm

Time: End Time: 7.34pm

1 ELECTION OF CHAIR

In the absence of the Chair and Vice-Chair of the Committee, and upon being moved and seconded, and following a vote, it was **RESOLVED** that Councillor Maureen McKay be elected to Chair the meeting.

2 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were submitted on behalf of Councillors Teresa Callaghan (Chair), John Gardner (Vice-Chair), Stephen Booth, Graham Lawrence CC and Tom Wren.

There were no declarations of interest.

3 MINUTES - 7 JUNE 2022

It was **RESOLVED** that, subject to the replacement of "2029/20" with "2019/20" in the fifth paragraph of the preamble in Minute 5 – 2019/20 and 2020/21 External Audit of SBC Accounts – Update, the Minutes of the meeting of the Audit Committee held on 7 June 2022 be approved as a correct record and signed by the Chair.

4 2019/20 EXTERNAL AUDIT UPDATE

The Committee received a verbal update from Neil Harris (Ernst & Young) in respect of the 2019/20 External audit of SBC accounts.

Mr Harris reminded the Committee of the national issue that had arisen regarding how expenditure on replacement infrastructure was accounted for in local authority accounts. CIPFA was working on a solution to this issue, but no timescales had been provided. In the interim, E & Y had been working with the Strategic Director (CF) on the issue.

Mr Harris stated that E & Y needed to ascertain that SBC had sufficient/appropriate

records existed to verify infrastructure assets. An option would be for E & Y to issue a limited audit, with qualifications as to the limitations on the scope of the audit. One Local Authority had already accepted a limited audit, whilst others were awaiting the advice from CIPFA. The Strategic Director (CF) indicated that she might be prepared to accept an audit limitation for 2019/20, especially as there was an existing backlog of work regarding audit of the 2020/21 and 2021/22 accounts.

Mr Harris apologised for the ongoing delay in the conclusion of the audit of the 2019/20 accounts, which had been due primarily to the continued sickness of a key member of E & Y staff. Mr Harris regretted that the audit had not been completed before he was due to leave E & Y, but advised that he would be handing over to a new Lead Officer, Debbie Hanson, to conclude the 2019/20 SBC audit and oversee the subsequent years' audits.

Mr Harris commented that actuarial error relating to the 2019/20 accounts with regard to an overstatement of the Pension Fund assets concerning the Hertfordshire Building Control Consortium had been resolved, and that he was satisfied with how this had been handled in the SBC accounts for the year.

The Strategic Director (CF) advised that she would be meeting with Mr Harris and Debbie Hanson in the next few days to agree a Project Plan for completion of the 2019/20 audit of accounts, and for dealing with the 2020/21 and 2021/22 accounts going forward.

The Chair thanked Mr Harris for his work on behalf of E & Y in supporting the Committee over the past few years and wished him well in his future role.

In response to Members' questions, Mr Harris, assisted by the Strategic Director (CF) stated:

- For those local authorities with closed audited accounts for 2019/20, it was too late for the process with regard to how expenditure on replacement infrastructure was accounted for to be included, although the process would need to be carried out on their 2020/21 accounts;
- Mr Harris undertook to report back on the number of local authorities that still had 2019/20 accounts outstanding;
- The Redmond Report had identified that the public sector external audit model was broken. PSAA had endeavoured to address this by seeking to identify additional external audit providers. There were also ongoing recruitment issues for auditors and local authority accountants. In view of the above issues, the Government had relaxed the rules on penalties for non-completion of audited accounts; and
- The PSAA scale fee for 2019/20 audit work was £48,000, although the complexity of the additional work undertaken by E & Y had resulted in an overall fee of £190,000. Whilst the Strategic Director had accepted part of the additional fee, she had not accepted it in its entirety. The likelihood was that the matter would need to go back to the PSAA for arbitration.

It was **RESOLVED** that the verbal update from Ernst & Young regarding the 2019/20 External audit of SBC accounts be noted.

5 **2021/22 ANNUAL FRAUD REPORT AND PROGRESS WITH DELIVERY OF THE 2022/23 ANTI-FRAUD PLAN**

The Shared Anti-Fraud Service (SAFS) Officer presented the 2021/22 Annual Fraud report, and provided an update on progress with delivery of the 2022/23 Anti-Fraud Plan.

The Shared Anti-Fraud Service Officer summarised the report as follows:

- The SAFS Team (in April 2021) was composed of 20 accredited and trained counter fraud staff and was based at Hertfordshire County Council's offices in Stevenage;
- For 2021/22, SAFS deployed 1 Full Time Equivalent (FTE) to work exclusively for the Council, supported by SAFS Management and Support Team based at Stevenage. The Council and SAFS also arranged for the secondment of the Council's Tenancy Fraud Officer into SAFS and this continued to provide a much-enhanced service for the Council;
- SAFS delivered training to staff via remote/virtual means during 2021/2022, including general fraud awareness, use of the services provided by National Anti-Fraud Service and new services provided by the Cabinet Office as part of the National Fraud Initiative;
- During the Covid-19 pandemic the SAFS role around fraud prevention was prioritised, and the imposition of 'sanctions' were suspended as they could be counterproductive. A decision was made to resolve most low-level fraud by closing cases and sending advisory or compliance letters to customers. More serious allegations of fraud or those needing immediate attention had been prioritised;
- In 2021/2022 SAFS issued fraud alerts on more than 20 occasions to Council officers/departments. During the year SAFS had also received 112 allegations of fraud affecting Council services;
- Of the 42 fraud cases investigated and closed in the year, 23 identified fraud - with recoverable losses of £253,000, and fraud savings (through prevention) of £251,000 reported. At the end of March 2022, 46 cases remained under investigation with an estimated fraud loss of just over £450,000;
- SAFS had assisted in the recovery of 7 Council properties that were subject to some form of tenancy fraud. SAFS had also conducted 71 reviews of 'right to buy' applications and uncovered one fraudulent 'right to buy' application, preventing a property being lost from the Council's housing stock;
- All except four of the SAFS Key performance Indicators had been met in 2021/22;
- In respect of 2022/23, between April and July 2022 a further 45 allegations of fraud had been reported to the Council/SAFS; 47 cases remained open with an estimated value of £350,000; 8 cases had been closed and fraud losses/savings combined of £210,000 recorded. Three Council properties had been recovered and 33 right to buy reviews completed.

In reply to Members' questions, the Shared Anti-Fraud Officer commented:

- In 2021/22, the 15 “low risk” cases involving alleged housing benefit or council tax fraud were resolved through compliance activity or review, and resulted in the identification of £12,000 in additional savings for the Council;
- SAFS staff are fully aware of the potential for instances of fraud to increase due to the current cost of living crisis, although they would continue to prioritise investigative work on a case-by-case basis, according to the seriousness of the alleged offences committed; and
- There were occasional instances of vexatious fraud reporting. It could sometimes be difficult to detect fraud in such instances, although the first step would always be to seek corroboration of any evidence received from the public.

It was **RESOLVED:**

1. That the Council’s work to combat fraud in 2021/22 be noted.
2. That the performance of SAFS in meeting its Key Performance Indicators (KPIs) in 2021/22 be noted.
3. That the progress with delivering the Anti-Fraud Plan for 2022/23 be noted.

6 INTERNAL AUDIT PLAN 2022/23 - PROGRESS REPORT

The SIAS Client Audit Manager presented a progress report with regard to the SIAS Internal Audit Plan 2022/23 (up to 19 August 2022).

The SIAS Client Audit Manager advised that, as set out in the report, 7 audit reports had been completed since the last meeting of the Committee. The table in Paragraph 2.3 of the report showed the status of current audits.

The SIAS Client Audit Manager informed Members that two unplanned audits had been commissioned regarding assurance activities to satisfy the funding conditions for grant income received from the UK Health Security Agency and Homes England. Consequently, the audit contingency provision had been reduced from 6 days to 1 day.

The SIAS Client Audit Manager referred to the implementation status of critical and high priority recommendations in respect of the Landlord Health & Safety and Cyber Security audits.

In reply to Members’ questions, the SIAS Client Audit Manager responded as follows:

- The Cyber Security audit had identified gaps in the Council’s control framework to minimise cyber attacks. In particular, the Council only had a draft Information Security Policy and draft Cyber Incident Response Plan, and there had been insufficient capacity in the IT Team to manage cyber security due to the ongoing work regarding migration of the Council’s IT network to Windows 10. It was hoped that the high/medium priority recommendations would be actioned by December 2022. A Joint SBC/EHC Board had been established to closely

monitor IT issues over the coming months, including the Windows 10 migration and cyber security;

- The reason the migration to Windows 10 was taking a considerable time was due to work required to address and resolve inter-operability/integration issues of some of the considerable number of Council IT systems both during the migration and afterwards; and
- It was confirmed that the follow up work with regard to the Landlord Health and Safety audit concerned improved processes in relation to the testing (for legionella, etc.) of water supplied to Council-owned buildings.

It was **RESOLVED**:

1. That the SIAS Internal Audit progress report be noted.
2. That the changes to the Internal Audit Plan be noted.
3. That the status of Critical and High Priority Recommendations be noted.

7 ANNUAL TREASURY MANAGEMENT REVIEW OF 2021/22 INCLUDING PRUDENTIAL CODE

The Assistant Director (Finance) presented a report on the Annual Treasury Management Review of 2021/22, including the Prudential Code.

The Assistant Director (Finance) advised that the Council had borrowed a further £9Million from the Public Works Loan Board (PWLB) during 2021/22. As at 31 March 2022, the Council's total debt to the PWLB was £228M. At the end of 2021/22 there was an under borrowing of £77M in respect of the Council's Capital Financing Requirement.

The Assistant Director (Finance) further advised that, as at 31 March 2022, the Council had investments totalling £68M. These had realised £268,000 of interest, an average return rate of 0.35%.

The Assistant Director (Finance) confirmed that there had been no breaches of the operational boundary and authorised borrowing limits in 2021/22.

It was **RESOLVED** that, subject to any comments from the Executive, the 2021/22 Annual Treasury Management Review be recommended to Council for approval.

8 URGENT PART I BUSINESS

None.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED** that:

1. 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 involve 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.

10 PART II MINUTES - AUDIT COMMITTEE - 7 JUNE 2022

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 7 June 2022 be approved as a correct record and signed by the Chair.

11 STRATEGIC RISK REGISTER

The Corporate Performance and Improvement Officer presented a report providing the Quarter 1 2022/23 (April to June 2022) update in respect of the Strategic Risk Register.

The Corporate Performance and Improvement Officer, assisted by the Strategic Director (CF), responded to a question raised by a Member on the report.

It was **RESOLVED** that the latest Strategic Risk Register, as set out at Appendix A1 to the report, be noted.

12 URGENT PART II BUSINESS

None.

CHAIR