

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 7 February 2023

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: John Gardner (Vice-Chair in the Chair), Myla Arceno, Stephen Booth, Alex Farquharson, Jackie Hollywell, Graham Lawrence CC, Loraine Rossati and Tom Wren.
Mr Geoff Gibbs (Independent Co-opted Non-voting Member)

Start / End Start Time: 6.00pm
Time: End Time: 6.52pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were submitted on behalf of Councillors Teresa Callaghan (Chair) and Maureen McKay.

There were no declarations on interest.

2 MINUTES - 9 NOVEMBER 2022

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 9 November 2022 be approved as a correct record and signed by the Chair.

3 2019/20 EXTERNAL AUDIT UPDATE

The Committee received a verbal update from Karen Cunanan (Ernst & Young) in respect of the 2019/20 External audit of accounts. She advised that there were still five outstanding items in relation to the 2019/20 External audit. The items relating to property, plant & equipment; value for money; and going concern should all be completed in the near future.

Karen commented that the outstanding item relating to Infrastructure assts was a national issue. CIPFA had issued a revised code and the DHLUC was to prepare a Statutory Instrument in respect of this matter, which it was anticipated that SBC would adopt.

Karen explained that the final item related to non-compliance with the minimum Decent Homes standards – a provision needed to be made in the 2019/20 accounts for this item.

Karen stated that Ernst & Young was working with the SBC Finance Team and valuers to resolve the outstanding issues, and March 2023 had been agreed as the target date for completion/sign off of the audit.

The Strategic Director (CF) advised that some of the above issues had arisen because the audit had been open for a protracted amount of time. She had initially been prepared to agree to an audit limitation for the 2019/20 accounts, but that this would now be superseded by the CIPFA Code/DHLUC Statutory Instrument.

The Strategic Director (CF) explained that the alleged non-compliance with the Decent Homes standards issue had been referred to the Housing Regulator, but the allegation had not been upheld. The Council had been voluntarily reporting to the Regulator on good practice methods relating to Decent Homes. She added that housing valuations for stock-holding authorities were discounted as those councils provided social housing.

In reply to a Member's question, the Strategic Director (CF) commented that the issue with the Council not always meeting the Decent Homes standards could be due to access to properties and the timing of works. The Council had invested significantly in the stock via the Decent Homes and Major Works contracts. The level of decency was monitored via a Corporate Key Performance Indicator.

The Strategic Director (CF) agreed to provide the information on Decent Homes to the Committee as had been provided to Ernst & Young.

Karen Cunanan confirmed that there were risks associated with the completion of all 5 outstanding areas of the 2019/20 audit, which all required finishing before the audit was signed off (anticipated in March 2023).

The Committee Chair requested the Strategic Director (CF) to advise Members of the Audit Committee as soon as the 2029/20 audit had been completed and signed off.

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

4 2020/21 EXTERNAL AUDIT PLAN

The Committee received the proposed External Audit Plan for 2020/21, as submitted by Karen Cunanan (Ernst & Young). She began by drawing attention to the risks/areas of focus included in the Plan as follows:

- Misstatements due to fraud or error (risk of management override);
- Inappropriate classification of revenue spend as capital;
- Incorrect accounting for financing of capital regeneration schemes;
- Valuation of market-based property assets;
- Valuation of property, plant and equipment assets under Depreciated Replacement Cost (DRC) model;
- Queensway lease accounting treatment;
- Pension liability valuation;
- Recognition of grant income associated with Covid-19;
- Going concern disclosures;
- Infrastructure asset accounting; and

- Impact of non-compliance with minimum Decent Homes standards.

The Committee noted that the Preparation of Group Accounts risk/area of focus had been removed for the 2020/21 audit.

Karen referred to the materiality levels; the Audit scope; and the value for money audit arrangements set out in the Plan. In terms of the timeline for the 2020/21 audit, she stated that discussions were ongoing to identify a timescale that would be the most efficient and effective for both the SBC Finance Team and Ernst & Young.

In reply to Members' comments, the Strategic Director (CF) explained that the 2020/21 external audit would be challenging for the SBC Finance Team, especially as work would be happening in tandem regarding the close down of the 2022/23 accounts.

In response to a question, the Strategic Director (CF) confirmed that there had been 20 or so different COVID Grant schemes. Most of these schemes had now ended. The Council had acted as agents on behalf of the Government in distributing these grant funds, and Ernst & Young would need to check, as part of the 2020/21 audit, that these had been properly accounted for in the accounts.

It was **RESOLVED** that the proposed External Audit Plan for 2020/21, as submitted by Ernst & Young, be approved.

5 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 20 January 2023).

The SIAS Client Audit Manager advised that eight final reports had been issued since the last progress report to the Committee, and these were set out in Paragraph 2.2 of the report, together with the assurance levels and number of recommendations.

The SIAS Client Audit Manager stated four audits had been moved the Quarter 4 from dates earlier in 2022/23. This was due to a combination of management requests and work re-allocation by SIAS. The Planned and Response Maintenance to the Council's Estate audit had been cancelled for the reasons set out in the report.

The SIAS Client Audit Manager referred to progress in respect of the Cyber Security and Environmental Maintenance High Priority Audit recommendations, as set out in Appendix B to the report.

The SIAS Client Audit Manager drew attention to the challenging recruitment and retention issues faced by the service, as outlined in Paragraphs 2.10 to 2.13 of the report

In response to a Member's question, the SIAS Client Audit Manager advised that the two additional external partners appointed to assist in the work of SIAS for 2022/23 were BDO and Mazars. He added that he was confident that SIAS would have the

necessary capacity to resource the existing (2022/23) and 2023/24 Internal Audit Plan.

The Committee noted the comment made by the Strategic Director (CF) that the Shared Internal Audit Service provided a greater degree of audit resilience than would be the case should each of the partner authorities operated individual internal audit services.

It was **RESOLVED**:

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

6 ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2023/24

The Strategic Director (CF) presented a report in respect of the Annual Treasury Management Strategy including Prudential Code Indicators for 2023/24.

The Strategic Director (CF) outlined the following points:

- there had been no breaches of the Treasury Management Strategy so far in 2022/23;
- there was a new Prudential Indicator for 2023/24 in respect of a Liability Benchmark;
- the Bank of England Base Rate had increased to 4%, which would impact on borrowing;
- the Base Rate was forecast to peak at 4.5% in June 2023 and was predicted to return to a level nearer 2% by December 2025
- cash balances were gradually reducing and it was estimated would be £48M by the end of the year; and
- the Strategy was complementary to the Council's Capital Strategy, which would be submitted to Council for approval on 23 February 2023.

It was **RESOLVED** that the 2023/24 Treasury Management Strategy be recommended to Council for approval.

7 URGENT PART I BUSINESS

None.

8 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.

9 PART II MINUTES - AUDIT COMMITTEE - 9 NOVEMBER 2022

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 9 November 2022 be approved as a correct record and signed by the Chair.

10 URGENT PART II BUSINESS

None.

CHAIR