

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Monday, 27 March 2023

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Teresa Callaghan (Chair), John Gardner (Vice-Chair), Myla Arceno, Stephen Booth, Alex Farquharson, Jackie Hollywell, Maureen McKay, Adam Mitchell (substitute) and Loraine Rossati.
Mr Geoffrey Gibbs – Independent Co-opted Non-voting Member.

Start / End Time: Start Time: 6.00pm
End Time: 6.38pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were submitted on behalf of Councillors Graham Lawrence CC and Tom Wren. Councillor Adam Mitchell CC was substituting for Councillor Lawrence.

There were no declarations of interest.

2 MINUTES - 7 FEBRUARY 2023

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 7 February 2023 be approved as a correct record and signed by the Chair.

3 2019/20 STATEMENT OF ACCOUNTS UPDATE

The Committee considered an update from Karen Cunanan (Ernst & Young) in respect of Ernst & Young's (E & Y) audit results report for SBC for 2019/20.

Karen advised that work outstanding as at the date of the report was:

- The outcome of the internal consultation with E & Y's professional practice department on the non-compliance with the minimum decent home standards and whether or not E & Y needed to include an emphasis of matter with regard to property asset valuation uncertainty;
- Completion of subsequent events review up the date of E & Y's audit report, including update of E & Y's review of committee minutes;
- Final review and completion checks on the financial statements;
- Completion of audit conclusion procedures, in order to issue the audit report;

and

- Receipt of the signed management representation letter.

Karen commented that, subject to satisfactory completion of the outstanding items listed above and the result of E & Y's consultation relating to emphasis of matter with regard to property asset valuation uncertainty, E & Y expected to issue an unqualified opinion on the Council's financial statements.

Karen referred to the update in the scope of the audit, including timescale, materiality and information provided by the entity (IPE). She then referred to the unadjusted and adjusted audit differences set out on Page 7 of the report.

Karen drew attention to the audit risks and areas of audit focus, together with E & Y's findings, set out on Pages 9 – 11 of the report. She added that E & Y expected to issue an unmodified value for money conclusion related to the audit.

In response to Members' questions, Karen Cunanan stated:

- The intention was to have the 2019/20 SBC Statement of Accounts signed off by 31 March 2023. The significant outstanding item of work was the outcome of internal consultation with E & Y's professional practice department on the non-compliance with the minimum decent homes standards; and
- The unadjusted audit differences set out in the report. Known differences represented items that could be accurately quantified and related to a definite set of facts or circumstances. Judgemental differences generally involved estimation and assumptions that were open to interpretation. The total value of the unadjusted audit differences was below the accepted overall audit planning materiality figure of £1.05Million.

The Committee then received an update report from the Assistant Director (Finance) concerning the 2019/20 SBC Statement of Accounts.

The Assistant Director (Finance) advised that the Committee had met jointly with the Statement of Accounts Committee in February 2022 to consider the 2019/20 Statement of Accounts. He confirmed that no changes had been made that were material in nature. The changes outlined in Section 4.1 of the report in respect of Infrastructure Assets, Pension Liability and Going Concern had therefore been approved by the Chief Finance Officer in accordance with the delegation authorised at the February 2022 meeting.

It was **RESOLVED** that the Ernst & Young audit results report 2019/20 and the changes to the final 2019/20 SBC Statement of Accounts, as outlined in the report of the Assistant Director (Finance), be noted.

4 SHARED ANTI-FRAUD SERVICE (SAFS) PROPOSED ANTI-FRAUD PLAN 2023/24

The Shared Anti-Fraud Service (SAFS) Manager presented the proposed Anti-Fraud Plan for 2023/24.

The SAFS Manager reminded the Committee that the documents referred to in Paragraph 3 of the report, together with guidance from the National Audit Office, Department of Levelling Up, Housing and Communities and the Local Government Association recommended that organisations had effective and robust counter fraud and corruption measures. These measures required the acknowledgement of fraud as a tangible risk, policies, and procedures to deter and prevent fraud, and the provision of sufficient resources to investigate fraud and recover losses caused by fraud.

The SAFS Manager advised that the proposed SAFS Anti-Fraud Plan for 2023/24 set out at Appendix A to the report broadly followed the plans of previous years, in that it had been designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy by adopting the “pillars” of Protect, Govern, Acknowledge, Prevent and Pursue.

The SAFS Manager referred to the Key Performance Indicators relating to SAFS set out in Appendix B to the report, and had been designed to deliver value for money for the Council.

The Committee was informed that SAFS had changed the way it would deliver its services to all of its Partners in 2023/24, with a measurable number of service/workdays (450 for SBC) which would include staff training, investigation capacity, access to SAFS management, intelligence and fraud alerts, and data-analytics. The days, allocation across service areas, and programmes of work, had all been agreed with senior officers across the Council. Specialist support would be provided to Housing Officers in relation to tenancy fraud. SAFS would maintain its relationship with third party specialist providers and national networks to keep the Council informed of new and emerging fraud threats or changes to best practice that would assist in deterring/preventing fraud and corruption.

The SAFS Manager explained that the lack of statistics relating to 2022/23 performance had been due to a staff shortage. A new SAFS Data Analyst had recently been appointed, and the next SAFS report to the Committee in the summer would contain statistics, including comparison with previous years.

In reply to a Member’s question, the SAFS Manager commented that the most common types of fraud for SBC related to Revenues and Benefits issues and Housing tenancy fraud (misuse of the Council’s housing stock).

It was **RESOLVED** that the proposed SAFS Anti-Fraud Plan for 2023/24, as attached at Appendix A to the report, be approved.

5 SIAS INTERNAL AUDIT PLAN 2023/24

The SIAS Client Audit Manager presented a report in respect of a proposed SBC Internal Audit Plan for 2023/24.

The SIAS Client Audit Manager advised that the approved the SIAS Internal Audit Strategy outlined how SIAS would achieve the mission of Internal Audit and ensure

ongoing compliance with the Public Sector Internal Audit Standards (PSIAS). The report followed the key principles within the Strategy relating to Audit Planning and Resourcing.

The SIAS Client Audit Manager stated that the table at Paragraph 2.14 of the report showed a breakdown of the total number of audit days (300) purchased for 2023/24, as agreed with the Council's Strategic Leadership Team. The outline scope of each of the audits contained within the Plan was set out in Appendix A to the report. The proposed audit start dates were set out in Appendix B to the report, although it was acknowledged that some of these would be flexible according to key staff availability and other work priorities.

The SIAS Client Audit Manager reminded the Committee that it would receive regular progress reports regarding the Internal Audit Plan throughout 2023/24.

In response to a series of Members' questions, the SIAS Client Audit Manager stated:

- The reduction in the number of SIAS audit days from 315 to 300 for Stevenage for 2023/24 had been agreed by the SIAS Board, and would be based on key elements of the Council's Medium Term Financial Strategy. The number of audit days had been reduced for all partner authorities, which would be reflected in the lower level of fees charged;
- The innovation introduced by SIAS was in the way it approached its work. Traditionally, this was very labour intensive, but the use of information technology to analyse data sets negated the need to work through individual transactions;
- Commercial activities taken on by SIAs included fee paying audit work for a number of Academy schools. The income received for this work would be shown in SIAS's Trading Account, and would contribute to keeping costs down;
- There had been no planned audit for Section 106 Agreements in 2022/23. There was one planned for 2023/24. This audit was carried out on a cyclical basis, unlike the annual audits, such as coverage of key financial systems;
- The Sickness Absence Management audit was an audit covering the risks linked to complying with sickness absence management policies and procedures.

It was **RESOLVED** that the proposed Stevenage Borough Council Internal Audit Plan for 2023/24, as set out in Appendix A to the report, be approved.

6 CORPORATE GOVERNANCE ARRANGEMENTS

The Corporate Performance and Improvement Officer presented a report in respect of the activity carried out in 2022/23 (Appendix A to the report) to strengthen the Council's corporate governance arrangements, together with corporate governance enhancement for delivery in 2023/24 (Appendix B to the report, which would be reflected in the Council's 2022/23 Annual Governance Statement to be submitted to the Committee in June 2023.

It was **RESOLVED**:

1. That the progress on corporate governance enhancement activity during 2022/23, as set out in Appendix A to the report, be noted.
2. That the corporate governance enhancement activity identified for 2023/24, as set out in Appendix B to the report, for inclusion in the Council's 2022/23 Annual Governance Statement, be noted.

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 STRATEGIC RISK REGISTER

The Corporate Performance and Improvement Officer presented a report providing the Quarter 3 2022/23 (October to December 2022) update in respect of the Strategic Risk Register.

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

10 URGENT PART II BUSINESS

None.

CHAIR