

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 6 June 2023

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), Carolina Veres (Vice-Chair), Stephen Booth, Rob Broom, Nazmin Chowdhury, Alex Farquharson, Graham Lawrence CC, Tom Wren, and Claire Parris (substitute).

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**

Apologies for absence were received from Councillors Lloyd Briscoe (substituted by Councillor Claire Parris) and Baroness Taylor OBE CC.

There were no declarations of interest.

The Chair welcomed the new Members of the Committee to the first meeting of the Municipal Year.

The Chair thanked Geoff Gibbs (Independent Co-opted Non-Voting Member) for his service to the Committee over the past 4 years as this would be his last meeting before stepping down. Mr Gibbs thanked the Committee and wished everyone at Stevenage Borough Council all the best in their future endeavours.

At this juncture, the Chair referred to the sad news of the recent passing of former Councillor and Vice-Chair of this Committee, John Gardner. The Chair spoke of his role as a mentor to her on her early days on the Committee and that he would be sorely missed by all at the Council.

2 **ELECTION OF VICE-CHAIR**

It was moved, seconded and, following a vote, **RESOLVED** that Councillor Carolina Veres be elected as Vice-Chair of the Audit Committee for the 2023/24 Municipal Year.

3 **MINUTES - 27 MARCH 2023**

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 27 March 2023 be approved as a correct record and signed by the Chair.

4 **TERMS OF REFERENCE**

It was **RESOLVED** that the Terms of Reference for the Audit Committee, as agreed by the Annual Council meeting on 24 May 2023, be noted.

5 **LOCAL GOVERNMENT AND AUDIT FIRMS**

The Committee were given a verbal update from Ernst and Young (EY) regarding the recent Department of Levelling Up, Housing and Communities' letter regarding local Government and Audit Firms.

The Committee was advised that the audit of Stevenage Borough Council's statement of accounts in the prior year had not been straight forward for a number of reasons, including the following:

- The Impact of the Covid-19 pandemic both in terms of audit risks and planned procedures to address those risks;
- The accounting treatment required for Local Enterprise Partnership (LEP) funding and the complexity of the Queensway complex leasing arrangements;
- Significant risk in relation to the valuation of market-based properties and errors identified in some of these valuations by EY valuers;
- The impact consideration of the following subsequent events in the statement of accounts:
 - Accounting for Infrastructure assets;
 - The 2022 triennial pension valuation;
 - Non-compliance with minimum decent homes standards.
- In relation to decent homes EY had to consider the potential impact on the valuation of council dwellings.

It was noted that the above subsequent events would also need to be considered by EY in the 2020/21 audit.

The Committee was advised that in terms of quality and preparation issues, significant amendments and complex adjustments had been required to the initial statement of accounts provided to the audit team resulting in increased time for consideration by EY.

In relation to resourcing, changes in the Council's key financial personnel throughout the audit period had increased the time taken to resolve audit queries and agree on amendments to the financial statements. It was also acknowledged that the resourcing of local government audits had been a challenge due to the shortage of staff within the local government audit market with the specific skills and knowledge required to conduct effective audits. In addition, the EY manager assigned to the audit had been unwell and there had also been a change in the Partner and

Manager of the engagement before the 19/20 audit could be concluded.

It was **RESOLVED** that the verbal update from Ernst & Young be noted.

6 **2020/21 EXTERNAL AUDIT OF SBC ACCOUNTS - UPDATE**

The Committee received a verbal update from Ernst & Young (EY) in respect of the 2020/21 External Audit of SBC accounts.

In terms of the 2020/21 audit, there were 35 outstanding queries pending the Council's responses. Delays had been noted due to the closing for the 2022/23 accounts of the Council. The planned completion and presentation of the audit results report for the 2020/21 audit is aiming to be submitted to the 27 September 2023 Audit Committee Meeting.

In relation to the 2021/22 Audit, work was scheduled to start on 16 October 2023 with a conclusion target of 15 December 2023.

In response to a question from a Member, EY advised that there would be a significant increase in the fees due to the time and complexities of the Audits undertaken.

The Assistant Director Finance advised that in terms of borrowing, the Council used the Public Works Loan Board. There was no requirement for the Council to go to the market and therefore no impact in relation to delay in accounts being signed off.

The Committee was also advised that the requirement to publish the 2022/23 Statement of Accounts had not been met due to the delay in information regarding pension report which should hopefully be received in June/July 2023.

It was **RESOLVED** that the verbal update from Ernst & Young regarding the 2020/21 External audit of SBC accounts be noted.

7 **ANNUAL ASSURANCE STATEMENT AND SIAS ANNUAL REPORT 2022/23**

The SIAS Client Audit Manager presented a report in respect of the SIAS Annual Assurance Statement and Annual Report 2022/23.

The SIAS Client Audit Manager stated that in line with the previous year, a reasonable assurance opinion had been issued regarding the Council's financial and non-financial systems, and that SIAS had concluded that SBC's corporate governance and risk management frameworks substantially complied with the CIPFA/SOLACE best practice guidance on corporate governance.

The Committee was advised that the proposed Audit Charter, set out at Appendix D to the report, was unchanged from the 2022/23 version.

In response to a question regarding the Cyber Security and Commercial Properties Audits, the SIAS Client Audit Manager stated that they had been cancelled at the

end of the last Audit year but would be rescheduled later this year. He confirmed that Cyber Security was of high importance and would remain on the radar of the Team.

In relation to Environmental Maintenance, further details would be included in the next progress report which would be submitted to the Committee in September

The Assistant Director of Finance confirmed to the committee that there was no inappropriate limitations on Internal Audit during 2022/23.

It was **RESOLVED**:

1. That the Annual Assurance Statement and Internal Audit Annual Report 2022/23 be noted.
2. That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
3. That the SIAS Audit Charter 2023/24, as attached at Appendix D to the report, be approved.
4. That it be confirmed that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

8 **ANNUAL GOVERNANCE STATEMENT 2022/23 AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer presented the Annual Governance Statement (AGS) and Local Code of Corporate Governance for 2022/23.

The Corporate Performance and Improvement Officer stated that the Local Code of Corporate Governance had been drawn up in conformity with the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government (2016)”. The document had been reviewed, and the major changes were summarised in the table set out in Paragraph 3.2.4 of the report.

In response to a question, Officers confirmed that the Leader’s Financial Security Group had been renamed the Council’s Financial Security Group

The Corporate Performance and Improvement Officer then advised that the AGS was required to be reviewed each year. It described the Council’s governance arrangements, how they were reviewed, significant governance challenges and actions to address them.

It was **RESOLVED**:

1. That the changes to the Council’s Local Code of Corporate Governance, as attached at Appendix 1 to the report, be approved.

2. That the Council's 2022/23 Annual Governance Statement, as attached at Appendix 2 to the report, be recommended for approval by the Statement of Accounts Committee.

9 **URGENT PART I BUSINESS**

None.

10 **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.

11 **PART II MINUTES - AUDIT COMMITTEE - 27 MARCH 2023**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 27 March 2023 be approved as a correct record and signed by the Chair.

12 **STRATEGIC RISK REGISTER**

The Corporate Performance and Improvement Officer presented a report providing the Quarter 4 2022/23 (January to March 2023) update in respect of the Strategic Risk Register.

The Corporate Performance and Improvement Officer, assisted by the Assistant Director Finance, responded to a number of questions raised by Members on the report.

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

13 **URGENT PART II BUSINESS**

None.

CHAIR