

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 3 June 2025

Time: 6.00pm

Place: Council Chamber - Daneshill House, Danestrete

Present: Councillors: Carolina Veres (Chair), Lloyd Briscoe (Vice-Chair), Robert Boyle, Leanne Brady, Tom Plater, Ceara Roopchand and Tom Wren

Independent Member: Syed Uddin

Start / End Time: Start Time: 6.00pm
End Time: 6.50pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Phil Bibby and Mason Humberstone.

A declaration of interest was received from Cllr Roopchand who advised the Chair that the External Auditors, Azets, were a member of the Association of Business Recovery Professionals with whom Cllr Roopchand was employed in the capacity of Policy and Public Affairs Manager. Cllr Roopchand remained in the meeting during consideration of the External Audit Plan – Azets item.

2 MINUTES OF PREVIOUS MEETING

At this juncture, the Chair welcomed Cllr Brady and the Assistant Director, Finance, both of whom were attending their first Stevenage Borough Council Audit Committee meeting.

The minutes of the Audit Committee held on 25 March 2025 were approved and signed by the Chair.

3 EXTERNAL AUDIT PLAN - AZETS

The External Auditors, Azets, presented the 2023/24 Auditor's Annual Report to the Committee.

The Committee heard that the Council was acknowledged as large and complex, with significant investment activity and a substantial Housing Revenue Account (HRA).

The External Auditors advised that this complexity brought an inherently higher volume of risk compared to smaller, rural district councils.

The Committee were informed that no significant weaknesses were identified in the Council's arrangements and that Senior Management demonstrated a strong understanding of financial risks and appropriate responses.

The External Auditors commented that most risks identified were not due to deficiencies within the Council but were reflective of broader macroeconomic and systemic challenges faced across the local government sector.

The External Auditors highlighted the following areas:

Income Strip Scheme:

- Identified as complex, involving a subsidiary company.
- Acknowledged as underperforming from an accounting perspective.
- Management was aware and had taken steps to mitigate associated risks.

Minimum Revenue Provision (MRP):

- Discussions had been held on whether the calculated MRP, though correctly processed, met long-term resilience thresholds.
- The report recommended a reassessment of sufficiency, despite proper calculation.
- Plans to increase MRP were in place and reflected in the medium-term financial strategy.

The Committee were informed that, from 2024/25 onwards, auditors must report annually to members by 30th November, as required by the updated Code of Conduct. This would ensure more consistent and timely engagement, regardless of the audit's stage of completion.

The Chair invited the Strategic Director (CF) to address the Committee.

Addressing the MRP, the Strategic Director (CF) advised that the lower MRP percentage in 2023/24 was due to previous overpayments and a 2018/19 review of asset lives, which affected repayment profiles from 2025/26 onward - particularly linked to town square assets.

The Strategic Director (CF) added that £8 million of the debt related to town centre regeneration. The associated income was ring-fenced into a reserve used to fund MRP, ensuring no adverse impact on the General Fund.

The Committee heard that all debt was backed by income-generating assets, and the Council was confident that its position was not at risk.

Addressing the Income Strip Scheme, the Strategic Director (CF) advised the Committee that the scheme was designed as an enabler for wider regeneration and had triggered other investments (e.g., the Forum, Autolus).

The Strategic Director (CF) acknowledged that the asset had underperformed

relative to the business plan, due in part to wider challenges in the retail sector—this had already been reported to members.

The Strategic Director (CF) informed Members that the Council had not waited for the audit findings to initiate remedial actions:

- The Strategic Director (CF) had already written to LLP directors instructing them to implement mitigations.
- A Cabinet report due in September 2025 would present further actions being taken and would be brought to the Audit Committee at a future meeting.

The External Auditors, Azets, presented the 2024/25 Audit Plan to the Committee.

The External Auditor advised the Committee that, based on the auditors' assessment, there were no significant weaknesses in management oversight at either the operational or strategic level. This assurance supported the conclusion that management had effective control, irrespective of underlying risks.

The External Auditors outlined the key components of the 2024/25 Audit Plan and explained the application of materiality thresholds, with overall materiality set at 2% of gross expenditure, performance materiality at 65%, and a trivial threshold of £110,000, above which any errors would be reported.

The External Auditors identified several significant risks, including:

- Management override of controls, a mandatory risk under international auditing standards;
- Disclaimed prior year opinions, which prevent assurance over opening balances for 2024/25;
- Valuation risks, specifically around property, plant and equipment (PPE), council dwellings, investment properties, and pension liabilities due to the subjectivity of estimates and assumptions used;
- Complex transactions, notably the accounting treatment of the income strip;
- IFRS 16 implementation, where material impact was not expected but still under review.

Other areas of audit focus included the valuation of debtors, the Minimum Revenue Provision, and the Housing Revenue Account.

The Committee heard that full audit procedures would be undertaken for the Council as parent body, with tailored procedures for its subsidiaries (Queensway Properties LLP, Mashgate plc) and joint ventures.

The External Auditors detailed the "build back" approach necessary to recover from previous years' disclaimed audit opinions. This would involve a phased assurance process:

- Phase 1: Standard current-year audit work providing assurance over in-year activity;
- Phase 2: Targeted testing of key balances back to the last clean opinion;

- Phase 3: Retrospective work on historic reserves and CIS entries, subject to further discussion.

The External Auditors expanded on the audit fees, explaining that while core audit work was covered by the scale fee (including a 3.4% inflationary uplift), additional fees for build back work, IFRS 16 implementation, and disclaimed opinion-related activity were not included. He noted that the Public Sector Audit Appointments (PSAA) body was still reviewing appropriate funding levels, and the government had announced £49 million of additional funding to support councils with this work. A further £15 million had already been distributed to support fee increases to date.

The Chair invited the Strategic Director (CF) to address the Committee.

The Strategic Director (CF) commented on the ongoing challenges facing local authorities in relation to the complexity of statutory accounts. They noted that, despite previous national reviews and recommendations, such as the Redmond Review and assessments by the NAO and FRC, meaningful simplification had not yet been achieved.

The Strategic Director (CF) highlighted the resource implications of current accounting requirements, including the need for costly asset valuations, and questioned whether this represented best value for the taxpayer.

The Committee were advised that local authority accounts remained difficult to interpret and that delays in external audits had resulted in multiple audit years progressing simultaneously. As a result, some recommendations identified in the 2023/24 audit report might not be fully reflected in the near-final 2024/25 accounts.

The Strategic Director (CF) emphasised the significant pressures placed on a small technical team, which currently had two vacancies, and noted the potential risk to meeting the statutory publication deadline of 30 June. Appreciation was expressed to Officers for their work on the Statement of Accounts.

A Member asked whether the uncertainty surrounding future local government reorganisation (LGR), combined with current staffing constraints, was affecting the finance team's ability to manage ongoing and future work. The Strategic Director (CF) responded that the team was under significant pressure, as they were also responsible for capital monitoring, treasury management, and other technical tasks in addition to the closure of accounts.

The Strategic Director (CF) highlighted that the build-back process would be demanding, particularly as authorities prepared for LGR. The primary risk, they noted, lay in ensuring all accounts were closed and signed off before vesting day, to enable the new authority to have a sound financial foundation. This challenge was shared across all Hertfordshire authorities. The Strategic Director further remarked that although additional national funding had been announced, the local allocation was limited—approximately £26,000.

A Member asked a question regarding the risk of cyber-attacks. The Member emphasised the significant disruption and financial impact such incidents can cause,

drawing on experience from their own organisation. In response, the Strategic Director (CF) confirmed that the council had invested approximately £750,000 from Future Councils funding into strengthening cyber security.

The Strategic Director (CF) suggested that the Committee receive a cyber-security update from the Assistant Director (IT) at a future meeting following on from the previous ICT update received in November 2024.

The Committee noted the External Audit Plan 23/24 Report and 24/25 Plan.

4 **SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2024/25**

Simon Martin, Shared Internal Audit Service (SIAS) presented the report.

Simon Martin summarised the purpose and scope of internal audit activity during the year and highlighted the inclusion of the new Global Internal Audit Standards (GIAS) in the reporting framework.

The Committee heard that the report provided an overview of service performance, quality assurance arrangements, and recent developments, including the expansion of SIAS's client base beyond Hertfordshire.

Members' attention was drawn to the Internal Audit Charter for 2025/26, which had been reviewed and updated to reflect changes required under the new standards, specifically amendments to paragraphs 6.1 and 6.3 concerning access rights and member oversight.

Simon Martin explained that while most of the report was for noting, members were asked to approve the Charter and to seek assurance from management that internal audit's scope and resources had not been unduly constrained during the year.

It was **RESOLVED** that:

- The Annual Assurance Statement and Internal Audit Annual Report 2024/25 be noted.
- The results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.
- The SIAS Audit Charter 2025/26 be approved.
- Management assurance be sought that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25.

5 **2024/25 ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE**

The Corporate Performance and Improvement Officer presented the report.

The Committee heard that the Local Code of Governance set out how the Council applied the CIPFA/SOLACE good governance principles to its local governance arrangements. The Corporate Performance and Improvement Officer informed the Committee that the local Code of Corporate Governance was reviewed annually and underpinned the Annual Governance Statement.

The Committee heard that the revised document contained no major changes to the content. Most of the updates were to bring up to date the references to the Corporate Plan, which was launched in the previous year, and to update the use of Cabinet (as opposed to Executive).

The Corporate Performance and Improvement Officer advised the Committee that the Annual Governance Statement provided an assessment of the Council's governance arrangements. The Committee were advised that the statement built on the report considered at the previous meeting and was informed by the work of the Corporate Governance Group.

The Committee heard that the statement gave an overview of the concept and application of a governance framework and included a summary from the Shared Internal Audit Service and referenced the reasonable assurance opinion.

The statement looked at each of the seven principles and provided evidence of compliance and also provided an update on the previous year's actions. Actions identified for 2025/26 had been identified from the review of principles, assessment of strategic risks and feedback from audits and inspections.

The Corporate and Performance Officer informed the Committee that the statement contained three actions relate to housing, showing that as an area of focus.

The Committee heard that emerging themes that were likely to be more prevalent in the document next year included Local Government Reform along with the appointment of the new Chief Executive and subsequent changes to processes.

A Member commented that, in the revised Local Code of Corporate Governance, reference was made to Overview and Scrutiny Committee being recorded and available on YouTube which was no longer the case. Officers responded that Overview and Scrutiny Committee meetings had previously been recorded and that the document would be updated to reflect that this practice had stopped.

It was **RESOLVED** that:

- Members of the Audit Committee approve the changes to the Council's Local Code of Corporate Governance (Appendix 1).
- Members of the Audit Committee recommend the Council's 2024/25 Annual Governance Statement (Appendix 2) for approval by the Statement of Accounts Committee.

6 URGENT PART 1 BUSINESS

There was no Urgent Part I Business.

7 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That, under Section 100(A) 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 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That having considered the reasons for the following item being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

8 STRATEGIC RISK REGISTER

The Corporate Performance and Improvement Officer presented the report.

Members asked a number of questions that were answered by Officers.

The Committee noted the Strategic Risk Register report.

9 URGENT PART II BUSINESS

There was no Urgent Part II Business.

CHAIR