

Finance and Audit Committee

Wednesday, 18 November 2015

7.30 pm

Present:

Cllr Derek Shelbrooke (Chair)
Cllr Karen Hurdle (Vice-Chair)

Cllrs: John Knight
 John Burden
 Colin Caller
 Lyn Milner
 Lenny Rolles

Note: Cllr Leslie Hills and Cllr Makhan Singh were also in attendance.

Stuart Bobby	Assistant Director (Corporate Performance)
Sarah Parfitt	Service Manager (Finance)
Katey Arrowsmith	Audit & Assurance Manager
James Larkin	Fraud Investigations Manager
Alex Jarvis	Principal Accountant
Vaughan Matthews	External Auditor, Grant Thornton
Ben Clarke	Committee & Scrutiny Assistant

30. Apologies

An apology of absence was received from Cllr Brian Sangha. Cllr Lyn Milner subbed for him. Apologies were also received from Cllr William Lambert and Cllr Lesley Boycott.

31. Minutes

The Minutes of the meeting held on 15 September 2015 were signed by the Chair.

32. Declarations of Interest

No declarations of interest were made.

33. Half-Year Fraud Report 2015-16

The Fraud Investigations Manager informed the Committee the half-year report outlined the Fraud Departments progress through the year detailing that it looks positive when compared to last year.

The Fraud Investigator outlined that:

- One of the fraud investigators left at the end of September and due to the partnership commencement, it would not be appropriate to fill the vacancy at this time; this will

have an impact on performance until such time as the team can return to a full complement of staff;

- On Paragraph 3.1.3 in the report it refers to the number of fraud cases outstanding; the number has now been reduced from 152 to 38;
- Confident that the remaining cases will all be dealt with by next year.

Following several questions from Members the Fraud Investigations Manager clarified that:

- The value of benefit overpayments has increased but the cases concluded has also increased meaning overall this is a positive outcome;
- The majority of the fraud happening is linked to tenants failing to declare income once they start new jobs – most of the 35 penalties given out (Page 17) were given for this reason;
- With regard to the figure of £548,000 saving on paragraph 2.5.5 this is the only nationally recognized figure which as stated in the report may not be representative of Gravesham.

It was noted by officers that the wording 'council house' in paragraph 2.5.6 should be changed to 'council property'.

Members **endorsed** the work undertaken in the first six months of 2015-16.

34. Half-Year Treasury Management 2015-16 Review

The Principal Accountant went through with the Committee the half-year update on treasury management activity undertaken from the period April to September 2015.

The Principal Accountant highlighted to the Committee that:

- The Council's capital expenditure has increased since the capital programme was agreed by Council with the total revised estimate of capital expenditure £3.3 million more than the original estimate. The investment portfolio yield for the first six months of the year had exceeded the LIBID benchmark;
- Treasury Management training has been booked for Members in the Council Chamber at 6:30pm-8:30pm on Tuesday 26 January 2016.

Following a question from a Member the Principal Accountant elaborated on the changes in the Capital expenditure table on Page 24:

- The change in Capital expenditure is primarily due to rolled forward allocations from 2014-15 and new schemes approved in 2015-16 such as the Market Refurbishment. The movement in funding is mainly due to how HRA Depreciation (used to fund capital projects) has been reflected.

The HRA Capital programme is funded by the depreciation charge. This will be shown separately in future reports given the total funding from this source.

Members **noted** the report and agreed to **recommend** to Full Council that the revised estimates against the prudential and treasury indicators are endorsed.

35. Corporate Risk Register 2015-16 - Mid-Year Review

The Principal Accountant introduced the report, providing an update on action taken to manage and mitigate strategic risks and inviting Members to begin consideration of risks for inclusion in the 2016-17 Corporate Risk Register. The Principal Accountant stated to the Committee that the option of removing risk number 4 (Management of Universal Credit Implementation) had been put forward by officers on the basis that it has already been implemented and may be classed as an operational risk now not a corporate one.

The Principal Accountant advised that a provisional date for Risk Management training has been set in the Council Chamber for Monday 25 January 2016 at 18:30pm – Members noted the date in their diaries.

A format change was suggested by a Member to enhance the reporting of action taken to mitigate risks by using a table to show the agreed action, target dates and an update on progress.

The Chair requested that in future any large tables of information be printed out on A3 paper for easier use by the Committee.

After a discussion, the Committee advised officers not to remove risk 4 (Management of Universal Credit Implementation) as they felt it hadn't been fully rolled out yet and still poses a risk to the Council.

The Chair stated that the DWP have taken over responsibility of the Universal Credit now and the Service Manager (Finance) advised that the first phase of Universal Credit has already rolled out this year. The risk will be considered as part of the Council's risk assessment process, with the outcome reported to Members as part of the consideration of the Strategic Risk Register for 16-17.

Following a question from a Member the Assistant Director (Corporate Performance) advised that the Service Review Team were a team assessing how departments are doing and what needs to be improved so they will be putting forward options for helping to address future budget shortfalls.

Members **noted** the findings in the report and agreed to the recommendations subject to:

- Risk 4 (Management of Universal Credit Implementation) being reviewed for inclusion in the risk register
- A new risk being considered around HRA/Housing

36. Half-Year Internal Audit Report 2015-16

The Audit & Assurance Manager outlined to the Committee that:

- At the start of the year the only shared posts were herself and the Fraud Investigations Manager but by year end the audit and fraud service will be operating in a partnership with Medway Council;
- The Audit & Assurance Manager directed the Committee towards Appendix 5 of the report explaining that the table showed the Assurance work and noted that none of the audits finalised had been given an opinion lower than amber;

- The trainee in the audit team who started in January 2015 has exceeded expectations and is now going on a professional audit course earlier than expected;
- The impact of these changes means that the team will not be able to deliver all audit work agreed on the original plan, and a revised Audit Plan will be brought to the next F&A Committee in February 2016 for Member approval.

The Chair asked that in future the Audit Plan or indeed any tables of content should be printed off for easier viewing.

The Audit & Assurance Manager agreed to report to the next Committee in February 2016 with an update on the achievement of the plan on how performance is being managed.

The Audit & Assurance Manager assured the Committee that the available resources have been directed towards the highest areas of risk on the audit plan, meaning any work that cannot be delivered in the 2015-16 year is lower in risk, but will be considered for inclusion on the 2016-17 audit plan.

After receiving several comments from Members the Audit & Assurance Manager advised that:

- More detailed explanations can be incorporated into the report about if an opinion on an Audit is red and why it is that colour;
- A new performance management framework will be introduced; a later item on this agenda seeks to consult Members with the indicators that will be provided in further.

A Member raised concerns about the council's performance in providing disabled adaptations for Council Homes. The Audit & Assurance Manager explained that the team had audited the function in 2013-14 and gave a Green opinion. A briefing note had been prepared for Cabinet/Housing Delivery Committee which will be shared with the Committee Members.

The Audit & Assurance Manger explained that the agreement with Medway included the provision of an audit plan for Gravesham of the same size as before the shared service (around 400 days). The shared service will however deliver increased efficiency and resilience.

Members **endorsed** the work undertaken by the internal audit team during the first half of the 2015-16 financial year.

37. Oral Update on Internal Audit & Fraud Partnership with Medway Council

The Assistant Director (Corporate Performance) clarified to the Committee that the report had also been to the Performance & Administration Committee.

The Assistant Director (Corporate Performance) advised the Committee there had been significant progress with the partnership, including:

- The transfer of the Audit team to Medway is confirmed to happen on the 1 December 2015 subject to any unforeseen circumstances;
- Two of the three necessary consultation exercises have been completed with staff members under the TUPE regulations;

- The third consultation will happen the day before the transfer;
- An IT consultant had been in to talk with staff members about the Medway system and how the network share will work – they will be able to use both of the Medway and Gravesham systems at once under the same firewall protection;
- A partnership agreement between the two organisations is in the final stages of completion;
- New laptops and a phone system would be given to the officers as part of their shared role to have easier access to both Council's systems.

The Assistant Director (Corporate Performance) advised the Committee that this is the first shared service partnership of a back office service; there are already partnerships for front line areas such as CCTV and Building Control.

It was suggested by a Member that baseline costs be incorporated as a performance indicator as they can be raised at any point to which the Assistant Director (Corporate Performance) agreed.

The Assistant Director (Corporate Performance) assured the Committee that any data transferring of confidential data from the two servers would be handled on encrypted memory sticks and that both heads of IT had been consulted and signed off on the partnership.

38. Internal Audit & Fraud Partnership with Medway Council - Performance Indicators

The Assistant Director (Corporate Performance) clarified that the new partnership, once it's formally in place by 1 April 2015 provided the opportunity to install some new performance indicators into the framework.

Appendix 2 on page 91 outlines the different indicators used in the various partnerships across Kent.

As previously discussed the Assistant Director (Corporate Performance) listed the performance indicators that had been proposed by the Committee during the meeting:

- The inclusion of baseline costs;
- Reviewing productive time;
- Expand on Housing/Council tax;
- Consistent formatting in the reports.

The Audit & Assurance Manager explained that the performance indicators would be set for a review every year which would come to the Committee on an annual basis for approval.

Members **recommended** the inclusion of the four performance indicators stated below:

- The inclusion of baseline costs;
- Reviewing productive time;

- Expand on Housing/Council tax;
- Consistent formatting in the reports.

As well as **endorsing** the performance indicators that were recommended in P&A Committee 12 November 2015:

- The proportion of available resources spent on productive assurance work;
- The proportion of the agreed internal audit plan achieved;
- The numbers of follow up and progress reviews issued, not yet due, or now due for a follow up;
- Compliance with the Public Sector Internal Audit Standards;
- Cost per audit day;
- Proportion of qualified staff within the team;
- Proportion of staff who are currently undertaking training;
- Days spent on CPD per head of the team.

39. Budget Monitoring Report 2015-16 - to end September 2015

The Service Manager (Finance) updated the Committee on the Quarter 2 budget monitoring covering the period to the end of September 2015.

Information was provided on actual performance against the approved Revenue and Capital Budgets for 2015/16 and impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, the HRA Business Plan and Financial Statements.

The key variance was the reduced spend of £160,000 across all directorates due in the main to vacancy management. The Service Manager (Finance) also highlighted that the following were included:

- A contribution of £25,000 made towards Heritage Assets;
- An ongoing commitment to daytime security within the Civic Centre at a cost of £23,000 pa;
- A contribution of £80,000 to the Team Green initiative for the year 2015/16;
- An excess of £54,670 in the predicted vacancy savings of £350,000;
- Expenditure of £3.1 million to date against the Housing Capital Programme in relation to the annual budgeted amount of £11 million.

Amongst the uncertainties facing the Council was the impact of the forthcoming autumn statement on 25 November 2015. There were expected to be major reductions in spending for government departments and planned reforms to local government finance, including business rates retention of 100%. Once detailed announcements had been made it would then be possible to model the implications for the Medium Term Financial Plan.

After a question from a Member the Service Manager (Finance) advised she would email Members the details of what the vacancy gap now represents as a percentage of the salary costs of the council.

The Committee raised concerns over paragraph 2.5.4 –the Town Pier Pontoon and the decision to reduce the annual contribution to the Town Pier Pontoon Reserve put aside for possible maintenance costs. Following several additional questions from Members the

Service Manager (Finance) advised she would talk to the necessary officers and get back to the Committee Members:

- Has KCC sorted the contract for a ferry going to the pontoon given the opportunities that may be presented in future with Paramount Park?
- What is the progress to secure funding for the extension of the pontoon?
- Do the terms and conditions of the management contract reflect usage of the pontoon and a reduction in the management contract fee if usage increases?

40. Annual Audit Letter 2014-15

The External Auditor presented the Annual Audit Letter, summarising the key findings of the audit work conducted by Grant Thornton for the year ended 31 March 2015. He advised that the deadline for signing off the Statement of Accounts had been met and the audit process was improved since last year. The direction of travel is positive; but work need to continue to improve further the quality of the draft financial statements and working papers.

Members **noted** the findings and conclusion of the audit work undertaken during 2014-15.

Close of meeting

The meeting ended at 9:09pm.