

## Finance and Audit Committee

Wednesday, 16 November 2016

7.30 pm

### Present:

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

Councillors:        Lesley Boycott  
                          John Burden  
                          Colin Caller  
                          John Knight  
                          Lenny Rolles  
                          William Lambert  
                          Brian Sangha  
                          Peter Rayner

Stuart Bobby        Director (Corporate Services)  
Sarah Parfitt        Assistant Director (Corporate Services)  
Andrew Barnett     Principal Accountant (General Fund)  
Alexandra Jarvis    Principal Accountant (Housing and Exchequer)  
Darren Wells        External Auditor, Grant Thornton  
Carlie Simmonds    Committee Services Manager

### 87. Minutes

The minutes of the meeting held on 13 September 2016 were signed by the Chair.

### 88. Declarations of Interest

No declarations of interest were made.

### 89. Audit & Counter Fraud Update - Q2 2016-17

Further to minute 86 (13.09.2016), the Director (Corporate Services) presented the Committee with the second Audit & Counter Fraud Update report which covered the work, outputs and performance of the Audit & Counter Fraud Team for the period 1 September to 28 October 2016.

It was pointed out that the report only covered a two month period due to the timetabling of the committee schedules.

The Director (Corporate Services) advised that due to a shortfall in resources, it is proposed that the Telephony review be removed from the 2016-17 plan and considered for the 2017-18 plan.

Members expressed concern regarding the internal Telephony system particularly the process when trying to make contact via the switchboard/voice recognition system.

The Director (Corporate Services) advised that the above had been reported to the Council's IT Services team and was being investigated.

With regard to the results of planned Audit & Counter Fraud work, the Committee requested that it be presented with a brief summary of the recommendations made for each activity.

It was suggested that the Fraud Awareness Briefing, detailed under Ref 29 – Fraud Awareness, be incorporated into the Member Training and Development Plan.

**Resolved that:-**

- the outputs and performance of the Audit & Counter Fraud Plan for Gravesham for the period 1 September to 28 October 2016 as detailed in the update report be noted; and
- the results of the review of the Audit & Counter Fraud Plan at section six of the update report be noted and the removal of the review of Telephony from the plan be agreed.

## **90. Treasury Management 2016-17 - Mid-Year Review**

The Principal Accountant (Housing & Exchequer) presented the Committee with the mid-year review update report on treasury management activity undertaken during the period April to September 2016.

The Principal Accountant (Housing & Exchequer) advised that the report had been prepared in compliance with The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and covered the following:-

- an economic update for the first half of the 2016/17 financial year;
- a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- the Council's capital expenditure (prudential indicators);
- a review of the Council's investment portfolio for 2016/17;
- a review of the Council's borrowing strategy for 2016/17;
- a review of any debt rescheduling undertaken during 2016/17; and
- a review of compliance with Treasury and Prudential Limits for 2016/17.

Members were informed that the report will also be submitted to the next Full Council meeting as it was a primary requirement of Code.

Members were also advised that the Treasury Management Strategy Statement for 2017-18 will be submitted to the next meeting of the Finance and Audit Committee on 7 February 2017 and that the Committee may find it useful for Capita and representatives from one of the managed Property Funds to be invited to that meeting.

The Committee thanked the Principal Accountant (Housing & Exchequer) for the cashflow graph and highlighted the following:-

- what work was being undertaken to attempt to maintain the cashflow above negative in April 2022;

- was consideration being given to rescheduling the HRA debt particularly as interest rates were currently low;
- as the graph will be submitted regularly to meetings of the Committee, it would be useful for the previous tracking line to be retained on the graph; and
- the graph to include reference to any significant events for example the repayment of the Stock Issue Loan etc.

**Resolved that:-**

- the report be noted;
- the Finance and Audit Committee recommends to Full Council that the revised estimates against the prudential and treasury indicators be endorsed; and
- Capita and representatives from one of the managed Property Funds be invited to the next meeting.

### **91. Corporate Risk Register 2016-17 - Mid-Year Review**

Members were presented with the half-year update of the Corporate Risk Register 2016-17 for consideration and review.

The current Corporate Risk Register, which was approved by Cabinet in March 2016, sets out the four high level corporate risks facing the Council:-

1. Ongoing financial viability of the Council;
2. Changes in national priorities and legislative change;
3. Organisational capacity/resilience; and
4. Housing Revenue Account Services.

Appendix three of the report outlined the progress made to date in managing or mitigating each of the risks identified.

Members were asked to raise any concerns they had regarding progress against the current risks and suggest any to be removed from or included in the Risk Register when it is reviewed, in order for these to be discussed with Cabinet.

Members suggested the following:-

- with regard to risk 3 - Organisational capacity/resilience, concern was expressed regarding the increasing organisational stress on those staff being asked to adopt more flexibility and a greater workload due to the cuts in services. Members requested that consideration be given to how the consequences identified in the register would be funded together with necessary monitoring/support of organisational stress. It was also suggested that industrial issues/relations be included as a separate risk in the register;
- Universal Credit be included in the register as it continues to pose a risk to the Council particularly as the cap limit had now been reduced to £20,000 a year; and
- UK leaving the European Union particularly the impact on non-EU workers currently working for the Council be included in the register.

The Assistant Director (Corporate Services) advised that the additional risks identified by the Committee would be assessed and the outcomes submitted to a future meeting prior to consideration by Cabinet/Full Council.

**Resolved that:-**

- the progress made in managing or mitigating each of the items within the Corporate Risk Register 2016-17 at appendix three to this report be noted; and
- the additional risks identified by the Finance and Audit Committee be assessed and the outcomes submitted to a future meeting prior to consideration by Cabinet/Full Council.

**92. Budget Monitoring Report 2016-17 - to end September 2016**

The Principal Accountant (General Fund) and Principal Accountant (Housing and Exchequer) presented the Committee with the quarter two budget monitoring report for 2016/17 showing the position for the half-year period to 30 September 2016.

The Committee noted the information provided on performance:-

- against the approved Revenue and Capital budgets for 2016/17, including known variances agreed or identified through budgetary control activity; and
- other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

The Committee was informed that the Council will continue to maintain robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances.

The Committee noted that the Principal Accountant (General Fund) provided a brief overview of the report from a summary sheet and suggested that it would be useful for the summary sheet to be circulated to the Committee at future meetings.

Members **noted** the information contained within the report.

**93. Annual Audit Letter 2015-16**

Further to minute 82 (13.09.2016), the External Auditor provided Members with a summary of the key findings and conclusions of the work carried out by Grant Thornton LLP at Gravesham Borough Council for the year ended 31 March 2016, as set out in the 2015/16 Audit Fee Letter.

The External Auditor advised that the detailed findings had previously been reported and discussed at the Finance and Audit Committee on 13 September 2016.

The letter attached at appendix two to the report provided information on the following areas of work that had been completed for the year ended 31 March 2016:-

- auditing the 2015/16 financial statements;
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money Conclusion); and
- certification of the Housing Benefit grant claim.

Members **noted** the findings and conclusions of the audit work undertaken during 2015/16.

#### 94. Update on the Appointment of External Auditors from 2018/19

Further to minute 71 (16.06.2016), the Committee was informed that the Council had received a formal invitation from the Public Sector Audit Appointments Ltd (PSAA) to opt into the national scheme for local auditor appointments which will be effective for the audit of the accounts for 2018/19.

The Committee was advised that it is understood that over 270 relevant authorities had expressed an interest in the sector-led approach being offered by the PSAA. The PSAA have published a prospectus setting out its intention to use its expertise and work with the sector to deliver quality-assured audit services to every participating local body at a price which represents outstanding value for money.

Members considered the report which detailed the advantages and disadvantages of accepting the invitation and alternative options available.

Some Members suggested that a quote be obtained from an independent auditor so that the independent quote can be compared with the quote of the sector-led approach to ensure value for money.

The Committee was advised that relevant regulations require Full Council approval to accept the invitation to opt in so the invitation will be presented to the Full Council meeting on 6 December 2016 for consideration.

Members **supported** the invitation to opt in to the national scheme for local auditor appointments being presented to Full Council on 6 December 2016.

#### **Close of meeting**

The meeting ended at 8.48pm