

Finance & Audit Committee

Tuesday, 13 March 2018

7:30pm

Present:

Cllr Karen Hurdle (Chair)
Cllr Robin Theobald (Vice-Chair)

Cllrs: Lesley Boycott
 John Burden
 Colin Caller
 Leslie Hills
 William Lambert
 Peter Rayner
 Lenny Rolles

Sarah Parfitt	Assistant Director (Corporate Services)
James Larkin	Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)
Andrew Barnett	Principal Accountant (General Fund)
Alexandra Jarvis	Principal Accountant (Housing & Exchequer)
Darren Wells	External Auditor, Grant Thornton
Ben Clarke	Committee & Scrutiny Assistant (Minutes)

46. Apologies for absence

No apologies of absence were received.

47. Minutes

The minutes of the meeting on Monday, 19 February 2018 were signed by the Chair.

48. Declarations of Interest

No declarations of interest were declared.

49. Order of the Agenda

It was agreed by the Chair that the item '2016/17 External Audit Grant Certification Letter' would be taken as the first item on the agenda.

50. 2016/17 External Audit Grant Certification Letter

Members were provided with a summary of the external audit findings and issues arising from Grant Claim certification work completed by Grant Thornton relating to 2016-17.

Grant Thornton, as the council's auditor, were required to certify certain claims and returns submitted by the Council. The letter attached at appendix two summarises the overall

findings of grant certification work completed for 2016-17. Grant Thornton was required to certify the Housing Benefit Subsidy claim for the year relating to expenditure of £34.5 million.

The External Auditor, Grant Thornton advised that the errors found within the audit of Gravesham have always been consistently relatively low and are not significant; the Department of Work and Pensions requires a very high level of scrutiny which is why discrepancies of 'single pounds' have been listed.

Cllr Burden wanted thanks to be noted and given to the Housing Benefits and Finance Teams for their professional management of such a large account.

Members noted the findings and conclusions of the grant certification work undertaken relating to 2016-17.

51. Review of Accounting Policies 2017-18

The Principal Accountant (General Fund) sought Member endorsement of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2017-18. Members were also advised on the earlier closedown requirements that will be effective from the 2017-18 financial year (i.e. for the accounts prepared for the year ended 31 March 2018).

The Principal Accountant (General Fund) stated that the Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'; it is not statutory but CIPFA highly recommend that the accounting policies to be used to prepare the authority's financial statements are taken through an authority's appropriate Finance Committee.

It was explained that the Code for 2017-18 had been published and a review of the Council's accounting policies had been conducted to ensure that they were in line with the requirements of the Code. There were no major changes identified to the Code or any that would affect the council's accounting policies for 2017-18 however the wording of the three policies listed on page 14 have been reviewed to provide greater clarification on how they are practically applied, in part following comments made by the external auditor last year.

The Principal Accountant (General Fund) advised that there has been a departure from previous years with regard to the requirements on closing the accounts earlier; effective from the 2017-18 financial year, the Accounts and Audit (England) Regulations 2015 specify the requirement to accelerate this process so that the draft annual statement of accounts are produced by 31st May and audited, approved and published by 31st July following the end of the financial year.

The Principal Accountant (General Fund) explained that in preparation of the change, the council brought forward the timetable for the production of the draft statement of accounts for 2016-17 with a draft statement of accounts being prepared by 19 May 2017, allowing time for quality assurance processes to take place between the 19 and 31 May 2017. It would mean that Members would not be given the chance to view the draft statement of account before it went to the external auditors, however the final audited version would be taken to the July Committee to be signed off by Members.

Following a concern from a Member regarding transactions under £85K being considered trivial, the Assistant Director explained that the external auditors do not consider anything

below £85K to be significant when compared to the size of the account. Any errors or misstatements found below this level will not be reported to the Finance & Audit Committee. Following a lengthy discussion on Members being able to view the draft statement of accounts before signing off the final version, the Assistant Director assured the Committee that the draft statement is published online for them all to view and a few dates in June would be looked into to see if an additional session could be held for Members to discuss and feedback their observations to officers.

Members endorsed the use of the Accounting Policies as outlined at Appendix Two to this report, subject to further comments from the Council's external auditor.

52. Review of the Statement of Accounts Glossary of Terms

Members were provided with an update on the review of the Glossary of Terms and which currently forms part of the Council's Financial Statement.

A small working group (comprising Cllr Hurdle, Cllr Theobald, Cllr Caller, Cllr Rayner, Simon Cogger [Exchequer Manager] and Alexie Leech [Corporate Performance Administrative Assistant]) was established to review the current Glossary of Terms and make appropriate improvements where necessary.

The working group met on a number of occasions with the objectives of firstly ensuring that the definitions already part of the Glossary were clearly explained and secondly to go through the Council's Financial Statement for 2016/2017 ensuring that any accounting or other technical term that was not currently defined in the Glossary was incorporated into the revised version.

The Group as a whole then worked on the definitions until all the Members within the Group were satisfied that the revised Glossary was complete and contained definitions that were easily understood.

Officers noted concerns from a Member that he thought the language used in the finance reports was still too technical and at a degree level which could not be understood by non-financial members of the public, though it was acknowledged that this was an evolving process and further enhancements to the Glossary of Terms could be made in future years.

Members agreed to the amendments to the Glossary put forward in this Report and approves their inclusion into the Financial Statement for 2017/18.

53. Audit & Counter Fraud Charter

The Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) presented to Members the Audit & Counter Fraud Charter for approval.

The Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) informed the Committee that there were no material changes to the content of the Charter. However, minor amendments to its references to the Head of Audit & Counter Fraud had been made more generic and specific references to the previous holder of the post were removed.

Members approved the Charter presented at Appendix 2.

54. Audit & Counter Fraud 2018-19 Work Plan

The Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) presented the Audit & Counter Fraud 2018-19 Plan for Gravesham to Members for approval.

The Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) highlighted the following key points:

- There was a small restructure to the Audit & Counter Fraud team to address the level of fraud savings being delivered, a drop in financial savings is to be expected though as benefits fraud is no longer dealt with by the team which amounted to a large chunk of work and savings, and various other concerns from the team which were identified through individual one to ones
- It was decided that the previous post of Audit & Counter Shared Services Manager was no longer required, so the post was dissolved and the savings made were used to create an additional Audit & Counter Fraud Team leader post in order to spread the managing of staff. The vacancy for an Audit & Counter Fraud Officer will be replaced with an Audit & Counter Fraud Intelligence Analyst and the team will have resource available for 389 days of assurance work and 277 days of counter fraud work, both of which are higher than the previous year.
- Independent assurance has had to be sought for the Counter Fraud function as the team cannot audit their own service. T&M and KCC are in a similar situation, so were approached with the suggestion that between the three authorities, 12 days are set aside for each service and we will audit each other. This was designed to be cost neutral. : The 12 days for the shared service are split between the Medway (7) and Gravesham (5) plans
 - Gravesham/Medway will audit the T&M fraud service
 - T&M will audit the KCC fraud service
 - KCC will audit the Gravesham/Medway counter fraud function

Following Members question and comments, the Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) advised that:

- The implementation arrangements to meet the requirements of GDPR have been audited during 2017-18. The 2018-19 plan includes an audit of the arrangements that have been put in place post implementation and this will be looked at late in the year. Audit has been carried out in the current year on the implementing changes relating to the General Data Protection Regulations and towards the end of the year, a post implementation review will be instigated
- With regard to the items on the work plan, some of them are reviewed annually, bi-annually or over a certain number of years. In years where there are fewer audits on the cycle, more areas will be selected from the risk assessment
- Proactive work carried out has increased on the 2018-19 plan due to the introduction of the intelligence analyst but the actual numbers would have to be checked outside the meeting as they were not to hand.

Members approved the Audit & Counter Fraud 2018-19 Plan for Gravesham presented at appendix 2.

Close of meeting

The meeting ended at 8:17pm.