

## Finance and Audit Committee

Tuesday, 10 September 2019

7.30 pm

### Present:

Cllr Gurbax Singh (Chair)  
Cllr Colin Caller (Vice-Chair)

Councillors:       Derek Ashenden  
                          Ejaz Aslam  
                          Dakota Dibben  
                          Sarah Gow  
                          Nirmal Khabra  
                          Tony Rice

Stuart Bobby        Director (Corporate Services)  
Anita Tysoe         Service Manager (Customer and Theatre Services)  
James Larkin        Head of Internal Audit & Counter Fraud Shared Service  
Andrew Barnett     Principal Accountant (General Fund)  
Alexandra Jarvis   Principal Accountant (Housing and Exchequer)  
Emily McKeown     External Audit (Grant Thornton)  
Carlie Simmonds   Committee Services Manager

### 15. Cllr Ruth Martin

The meeting observed a minutes silence as a mark of respect for Cllr Ruth Martin who recently passed away.

### 16. Minutes

The minutes of the meeting on Tuesday 23 July 2019 were signed by the Chair.

### 17. Declarations of Interest

Cllr Sarah Gow declared an interest in agenda item 6 (Local Government & Social Care Ombudsman Annual Review Letter) in that she worked for Kent County Council who was mentioned in the report.

### 18. Annual Audit Letter 2018/19

The Committee was provided with a summary of the key findings arising from the following work carried out by Grant Thornton LLP at Gravesham Borough Council for the year ended 31 March 2019, as set out in the 2018/19 Audit Fee Letter:-

- auditing the 2018/19 financial statements; and
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money Conclusion).

The External Auditor (Grant Thornton) drew Member's attention to:-

- the executive summary as set out on agenda page 14; and
- the final reports issued and fees charged as set out on agenda page 22.

The Committee was informed that as outlined in Grant Thornton's audit plan, the 2018-19 scale fee published by Public Sector Audit Appointments of £41,036, assumed that the scope of the audit would not significantly change. Following completion of the audit, it was established that the scope of work undertaken by the External Auditors had changed from what had originally been intended, resulting in additional fees to the Council of £5,200. However, Members were advised that the fees (including the additional fees) were still lower than those from the previous year.

The Director (Corporate Services) advised that he had recently attended the Kent Finance Officers Group meeting and concern was expressed regarding the additional fees. It was agreed that each authority would hold off paying the additional fees until discussion had taken place with Grant Thornton.

The Committee expressed concern regarding the additional fees and agreed that the Council should hold off paying until discussions had taken place.

**Resolved** that the contents of the report be noted.

## **19. Local Government & Social Care Ombudsman Annual Review Letter**

The Committee was advised that the Local Government and Social Care Ombudsman (LG&SCO) publishes an annual review letter for each authority, summarising the complaints and enquiries they had been dealt with over the past year, along with the action taken i.e. whether the complaint was investigated.

The Service Manager (Customer and Theatre Services) advised that complaints and enquiries would reach the LG&SCO following conclusion of the Council's complaint procedure. The Council had a three stage procedure in place:-

- Stage One - In the first instance, complaints will be dealt with by the section responsible for the service.
- Stage Two – If the complaint remains unresolved following stage one, there is a right of appeal to the Director of the service involved.
- Stage Three - If the complaint remains unresolved following stage two, there is a right of appeal to the Chief Executive.

The Service Manager (Customer and Theatre Services) drew Member's attention to Gravesham Borough Council's annual letter attached at appendix two of the report.

For the year ending 31 March 2019, the LG&SCO received a total of 13 complaints or enquiries about Gravesham Borough Council services which was lower than the previous year (19) with the majority relating to Housing (7), followed by Environmental & Public Protection (4) and Benefits & Tax (2).

Of the 13 contacts, decisions were made for 12 of them as detailed at appendix three of the report. There was only one complaint officially investigated but it was not upheld. The final decision of the investigated complaint was attached at appendix four of the report.

**Resolved** that the contents of the report be noted.

## **20. Audit & Counter Fraud Update**

The Committee received a report which was the first of three updates that would be provided during 2019-20. The report detailed the work undertaken by the Audit and Counter Fraud Team between 1 April and 31 July together with the progress made against the annual workplan.

The Head of Internal Audit & Counter Fraud Shared Service drew Member's attention to section 4.4 of the appendix which highlighted that, due to staff shortages, there had been a net loss of approximately 49 days from the original resource budget of 703 days for Gravesham. The intention will be to make up the lost time where feasible particularly as there was now a full staff complement.

The Committee was informed that, despite the staff shortages, the first four months of 2019-20 had been productive and the Head of Internal Audit & Counter Fraud Shared Service highlighted that, as at 10 September 2019:-

- performance measure A&CF10 - Proportion of productive time spent on Assurance/Consultancy work was at 85%;
- performance measure A&CF11 - Proportion of productive time spent on proactive/reactive counter fraud work was at 50%; and
- performance measure A&CF12 - Proportion of agreed assurance assignments that had been delivered was currently at 21% with 39% underway.

The Committee was also informed that the outstanding recommendations listed in section eight of the appendix (Private Housing Enforcement and Business Continuity Planning) were not a cause for concern as business continuity had been implemented since the report deadline and private housing enforcement was nearing completion.

With regard to the 'Ethics' audit/objective RMO1, the Committee noted that the review found that there was not a clear definition as to what 'ethical values' the Council holds and expects its employees to work by and that these values were not yet fully embedded into its recruitment, induction and appraisal processes. The Committee requested an approximate timescale for this recommended to be implemented.

The Head of Internal Audit & Counter Fraud Shared Service advised that he would look at the full report and would inform the Committee of the implementation date outside of the meeting.

**Resolved** that the contents of the report be noted.

## 21. Budget Monitoring Report - Q1 2019/20

The Committee received the first budget monitoring report for 2019/20 showing the position up to 30 June 2019.

The Cabinet noted the information provided on:-

- actual performance against the approved Revenue and Capital budgets for 2019/20, 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.

Concern was expressed regarding the cost of £10,000 for the market café equipment and £23,000 for the introduction of a second till/redesign of the counter at Spotlites.

The Service Manager (Customer and Theatre Services) advised that it was likely that the equipment for the market café would not be required as a competitor had expressed interest in acquiring a unit at the market so it was unlikely that Spotlites would continue to trade from the market. The introduction of a second till/redesign of the counter at Spotlites would be value for money as it will enable the team to better serve customers, particularly during busy times.

The fact that the budget was being well managed was acknowledged and appreciated by the Committee. Officers confirmed 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 Director (Corporate Services) advised that the one year spending review announcement for 2020/21 was better than expected and that there would be no change to the Council's Medium Term Financial Plan. The Council had delivered savings of around £3.7million to date and was well placed compared to other local authorities.

The Director (Corporate Services) commended the cumulative effort of the Finance Team in that they had completed the Statement of Accounts by the 31 July 2019 deadline. Nationally, 40% of Councils had not had their accounts signed off by the statutory deadline.

The Director (Corporate Services) advised that the Team was also responsible for an Investment portfolio (that includes both commercial properties and treasury management investments) which currently stood at circa £75million, and is netting the Council around £2.3million of income per annum. Previously, the portfolio was only generating £250K per annum. The Council was one of a few that had a ten year cashflow forecast in place.

The Committee thanked the Director (Corporate Services) and his team on the work that had been undertaken to date.

**Resolved** that the contents of the report be noted.

## **22. Independent Review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England**

The Committee was informed that the Local Audit and Accountability Act 2014 led to the closure of the Audit Commission on 31 March 2015, replacing it with a new local framework for the audit of local government and certain NHS bodies that enabled these bodies to appoint their own auditors. Under the new arrangements, Gravesham Borough Council opted into a sector-led approach delivered by Public Sector Audit Appointments (PSAA) to appoint the Council's external auditor for a period of five years from 1 April 2018. Following a competitive process, Grant Thornton LLP was appointed as the Council's auditor for that period.

On 10 July 2019 James Brokenshire, the then Secretary of State for the Ministry of Housing, Communities and Local Government, announced that Government would be instructing an independent review to examine local authority financial reporting and auditing. The review will be led by the former President of the Chartered Institute of Public Finance & Accountancy (CIPFA), Sir Tony Redmond.

The terms of reference for the review were detailed in appendix two of the report for Members' information.

The review will make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest. Initial recommendations from the review will be reported to the Communities Secretary in December 2019, with a final report published in March 2020. Officers will submit updates to the Finance and Audit Committee as information becomes available.

**Resolved** that the contents of the report be noted.

## **23. Any other business which by reason of special circumstances the Chair is of the opinion should be considered as a matter of urgency.**

The Principal Accountant (Housing and Exchequer) advised the intention was to provide further training on treasury management to Members of the Finance and Audit Committee as the mid-year Treasury Management Strategy Statement was due to be reviewed by the Committee on Wednesday 13 November 2019.

The Committee was invited to advise whether they would prefer for the training to take place on Tuesday 12 November 2019 or to form part of the meeting on Wednesday 13 November 2019. The duration of the training would be no longer than 45 minutes.

**Resolved** that the training forms part of the meeting on Wednesday 13 November 2019 and that it be the first item on the agenda.

### **Close of meeting**

The meeting ended at 8.36 pm