

Finance & Audit Committee

Tuesday, 23 July 2019

7:30pm

Present:

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

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

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

9. Apologies for absence

An apology of absence was received from Cllr Ruth Martin.

10. Minutes

The minutes of the meeting on Tuesday, 11 June 2019 were signed by the Chair.

11. Declarations of Interest

No declarations of interest were made.

12. Provisional Outturn Report 2018-19

The Committee was presented with:

- The 2018/19 provisional General Fund Revenue Outturn and movements in the General Fund working balances and earmarked reserves
- The 2018/19 provisional General Fund Capital Outturn
- The 2018/19 provisional Housing Revenue Account Revenue Outturn and movements in the Housing Revenue Account working balances and earmarked reserves
- The 2018/19 provisional Housing Revenue Account Capital Outturn

Members were also updated on 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 Principal Accountant (General Fund) advised that the provisional outturn report complimented the Statement of Accounts and was marked as 'provisional' due to the fact that the accounts were still in the process of being externally audited. He directed Members attention to pages 12-13 of the report. It was a detailed one page executive summary that highlighted and explained the main points from the report regarding:

- General Fund (Revenue)
- General Fund (Capital)
- HRA (Revenue)
- Housing Capital

The Principal Accountant (HRA & Exchequer) and the Principal Accountant (General Fund) further guided Members through the report, highlighting key points on pages 13-40 of the report.

The Principal Accountants fielded questions from Members and explained that:

- Referencing 5.2.2, the actual scheme related to the Valley Drive scheme which received planning permission at the start of the 2019/20 financial year and so the figures will be adjusted accordingly in the HRA along with any other schemes that are approved during the year

Resolved that Members noted the contents of the report.

13. The Audit Findings for Gravesham Borough Council - Year Ended 31 March 2019

Elizabeth Jackson introduced herself to the Committee as the Engagement Lead for Gravesham and informed Members of the findings of the council's External Auditor, Grant Thornton UK LLP, from the audit of the council's financial statements and arrangements for securing Value for Money for the year ended 31 March 2019.

The External Auditor apologised in advance to the Committee for some of the technical language used in the report but clarified that she was happy to explain anything that Members did not understand.

The External Auditor advised that she anticipated issuing an unqualified opinion in respect of the financial statements of the Council for the year 2018/19 and had concluded that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

The audit was substantially complete with the team carrying out final checks; the deadline for the issuing of the opinion is 31 July 2019 but it was anticipated that the Audit Opinion will be able to be issued to Gravesham on Friday, 26 July 2019.

The amendments identified during the audit have been updated and reflected in the revised financial statements including disclosure amendments; the External Auditor also confirmed that other minor amendments identified by the audit but are not required to be reported have been made.

The External Auditor guided the Committee through the Audit Findings Report attached at pages 7-37 of the supplementary pack highlighting key points from the work undertaken.

The External Auditor then fielded questions from the Committee and explained that:

- An unqualified audit opinion is very good for Gravesham.
- The intention is to have the external audit completely finished by the end of the week. The final Audit Findings Report will be shared with the Committee.

Resolved that Members noted the contents of the Audit Findings report.

14. Statutory Statement of Accounts 2018/19

Members were presented with the audited Statement of Accounts for 2018/19 for approval and the committee was asked to give their approval for the Chair of the Finance & Audit Committee to sign the audited Statement of Accounts for 2018/19 and the Letter of Representation.

The Assistant Director (Corporate Services) advised that the draft Statement of Accounts for 2018/19 was prepared by 30 May 2019 and was considered by Members of the Finance & Audit Committee and the wider Member Body at two officer-led training sessions held on 8 July 2019.

The Assistant Director (Corporate Services) explained to Members that the audit process identified some issues within the Statement of Accounts, as reported to Members in the Audit Findings Report, and four adjustments have been made to the draft statement which were listed with their associated details at appendix 2 on page 45:

1. HRA Council Dwelling Valuations – £13,211K Adjustment Made
2. Bank Sweep Balance of £1,643K – £1,643K Adjustment Made
3. Miss-classification of £311K income within “Expenditure and Income Analysed by Nature” – £311K Adjustment Made
4. Other minor corrections and additional wording in disclosure notes has been added to the final accounts as suggested, and in accordance with the external audit process – Various Adjustments Made

An updated Statement of Accounts, reflecting these adjustments, had been presented to Members at Appendix 3.

The Assistant Director (Corporate Services) advised Members that attached at appendix 4 was the Letter of Representation. This requires the council to confirm that the financial statements have been prepared on a proper basis and provide a true and fair view of the council, and are to be signed by the Chair of the Committee.

Linked to this, the Assistant Director (Corporate Services) drew Members attention to Appendix Five, the updated final response to the Letter to those Charged with Governance in relation to Council arrangements for managing the risk of fraud and ensuring legislative compliance. The committee was informed that the responses listed in the report at page 165 were considered by MT and by the Finance & Audit Committee in March 2019. The

response remains as at that meeting of the committee, albeit they have been updated to ensure that they cover the whole financial year 2018/19.

Given the external audit is not yet complete, the Assistant Director (Corporate Services) drew members attention to the recommendation for the Committee to give the Chair delegated authority to sign off the Statement of Accounts subject to any final amendments from the external auditors. The Assistant Director (Corporate Services) also made a commitment to the Committee to ensure that any additional changes/issues would be circulated via email.

The Assistant Director (Corporate Services) asked for the Committees approval to consider an additional recommendation to approve Appendix Five, the final response to the Letter to those Charged with Governance, which was agreed.

Following a question regarding the changes to HRA dwelling valuations and 'unusable reserves' on page 45, the Assistant Director (Corporate Services) advised that the adjustment was required to update the valuation of the value of these properties at a particular point in time; it did not constitute a cash transaction and therefore did not impact on the financial cash position of the council.

The Committee asked that their thanks be passed on to the Finance Team for their work to produce an excellent Statement of Accounts for 2018/19.

Resolved that Members:

- Considered the updates to the draft Statement of Accounts for 2018/19, as identified by the audit process and set out in Appendix Two to the report
- Approved the amended Statement of Accounts for 2018/19 as attached at Appendix Three to the report
- Agreed that the Chair of the Finance & Audit Committee sign the Statement of Accounts for the Council, subject to any final comments received by the External Auditor. Any further amendments required to the Statement of Accounts will be notified to Members of the Finance & Audit Committee
- Approved the Letter of Representation at Appendix Four to the report for signing by the Chair of the Finance & Audit Committee
- Approved the final response to the Letter to those Charged with Governance at Appendix Five to the report

Close of meeting

The meeting ended at 8:13pm.