

# Finance & Audit Committee

Wednesday, 13 November 2019

7:30pm

## Present:

Cllr Gurbax Singh (Chair)  
Cllr Lauren Sullivan (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)

## 24. Apologies for absence

An apology for absence was received from Cllr Colin Caller with Cllr Lauren Sullivan attending as his substitute.

## 25. Minutes of the Previous Meeting

The minutes of the meeting on Tuesday, 10 September 2019 were signed by the Chair.

## 26. Declarations of Interest

No declarations of interest were made.

## 27. Audit & Counter Fraud Update - Q2

The Head of Audit & Counter Fraud Shared Services advised Members that the report at Appendix Two was the second of three updates to be produced during 2019-20; detailing the work undertaken by the Audit & Counter Fraud Team between 01 August to 30 September 2019 and the progress made against the annual workplan.

The Committee was then provided with an overview of key points which could be seen in the executive summary on page 14 of the report and updated key statistics as those in the report were six weeks old:

- The report only covered a short period of two months but four reviews were finalised during that period as seen at 2.1 of the report

- The revised net loss of 57 days for Gravesham was broken down into the following
  - 37 days relating to audit resource
  - 20 days relating to fraud resource
  - 15 days have already been accounted for by removing the counter fraud review of Council Tax Reduction,
  - Members will be asked to remove a further review at the February Committee meeting to account for a further 10 days
  - The remaining 12 days will be made up in other areas of the service
- Section 6 showed the performance indicators as of 30 September. Members were given a verbal update for some of the key performance indicators as of 13 November:
  - A&CF10 was 71% for the year to date
  - A&CF11 was 29% for the year to date
  - A&CF12a was now 38% for the year to date
  - A&CF12b was now 8%. for the year to date
- There were no recommendations still outstanding more than six months after the scheduled implementation date

The Head of Audit & Counter Fraud Shared Services highlighted an error 2.2 of the report; the figure of 43% underway was actually 14%, an error in the performance monitoring formulas was only spotted in the previous week.

The Head of Audit & Counter Fraud Shared Services fielded questions and comments from the Committee:

- The Refund review was set a budget of ten days as it was seen as an adequate amount of time for the team to review refunds. However it was not taken into consideration how many services refunds occurred in. As a result of so many services being covered, it turned into a much larger audit than anticipated which led to the total of 41.8 days instead of the budgeted 10. Even though the audit activity was larger than anticipated, the actual days used figure was still very high and will be treated as a performance issue. In future the size of the refund audit will be taken into consideration when setting the day allocation.
- The audit activity on the Apprenticeship Levy hadn't started yet so the results couldn't be relayed to the Committee.

The Assistant Director (Corporate Services) expanded on the Apprenticeship Levy; as an authority, Gravesham pay £60,000 per annum into the Levy which amounted to roughly £5000 a month and monitor it regularly. The Levy is held for two years for the authority to draw down from to train apprentices; there were currently 15 apprentices working across the Civic Centre and Brookvale Depot. Additionally, the levy was used to fund the training of existing staff however there was the issue of availability of training schemes as the Levy could only be used to fund accredited training schemes.

The Head of Audit & Counter Fraud Shared Service apologised to the Committee as he and the S.151 at Medway Council had forgotten to email the Chair of the Finance & Audit Committee to ask for his comments on A&CF Performance Measure 23 'Members satisfaction with assurance provided' in time for the mid-year appraisal. The Committee was

assured the Chairs comments had now been received and would be included in the next Audit & Counter Fraud update report.

## **28. NFI Progress Report**

Members were provided with an update on the work completed in relation to the data matches received as part of the National Fraud Initiative Exercise.

The Head of Audit & Counter Fraud Shared Services advised that the matches received from the exercise were categorised in the below seven key areas of the council and progress as at 30 September 2019 was reported under each of the headings on pages 36-39 of the report:

- Council Tax
- Housing Benefit
- Council Tax Reduction
- Payroll
- Housing
- Parking
- Finance

The Head of Audit & Counter Fraud Shared Services concluded that work on the outstanding matches will continue and a further update will be presented to Members along with the Audit & Counter Fraud Annual Report in June 2020.

The Head of Audit & Counter Fraud Shared Services responded to a query explaining that if the Council Tax service was aware of a child about to turn eighteen then a reminder would be generated to staff advising the Service to send a letter requesting confirmation of the circumstances to ensure they were still entitled to their single person discount.

Following a question from a Member asking if there was an exercise for identifying people who weren't claiming Single Person Discount but were entitled to, the Assistant Director (Corporate Services) advised that she would ask the Revenues Team to find examples of people being identified and then circulate it to the Committee.

The Assistant Director (Corporate Services) added that when a person is discovered to have a high level of debt across the Council then they would be signposted to places where they would be possibly entitled to discounts. Also many Council services directed struggling people to the Citizens Advice Bureau (CAB) who have a team in the Civic Centre to assist the public with accessing all of the benefits they should be receiving. There was also a benefits calculator on the Council website which the public could utilise to inform them of the benefits they were entitled to.

## **29. Treasury Management Mid-Year Review 2019/20**

Members were provided with a mid-year review update on treasury management activity undertaken during the period April to September 2019.

The Principal Accountant (HRA & Exchequer) guided Members through the report outlining key figures from the below sections:

- Economic Background
- Interest Rate Forecasts
- Treasury Management Strategy Statement and Annual Investment Strategy Update
- The Councils Capital Position (Prudential Indicators)
- Investment Portfolio 2019/20
- Property Funds and Diversified Income Funds
- Cashflow
- Borrowing

The Principal Accountant (HRA & Exchequer) highlighted an error in 6.10 on page 50 of the report; the gross debt revised estimate 2019/20 should be £89.093 million making the total liability £182.5 million.

The Committee agreed that the previous Treasury Management Training session helped them all to understand the workings of the report and thanked the Principal Accountant (HRA & Exchequer).

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

### **30. Corporate Risk Register Mid-Year review 2019/20**

The Committee was presented with mid-year progress information in respect of all risks recorded in the 2019-20 Corporate Risk Register.

The 2019-2020 Corporate Risk Register was approved by Council on 16 April 2019 and was attached at appendix two to this report for Member information. Seven strategic risks were identified as being above the Council's risk tolerance threshold and were therefore included in the register:

1. Ongoing financial viability of the council
2. Changes in national priorities and legislative change
3. Organisational capacity/resilience
4. Implementation of the Homelessness Reduction Act
5. Universal Credit
6. Withdrawal of the United Kingdom from the European Union
7. Cyberattack resulting in data breach or corruption of data

The development of the Council's Corporate Risk Register for 2020-2021 will commence in December 2019 and the risks listed below were considered for inclusion the 2019-20 Corporate Risk Register but were omitted for the reasons stated in the report on page 62:

- Business Rates Retention Scheme
- General Data Protection Regulations (GDPR)

The Principal Accountant (HRA & Exchequer) advised that one risk had been identified by Officers as potentially needing to be included in the 2020-21 Corporate Risk Register:

- **Investment Risk** - Over the past couple of years the authority had purchased a number of Investment Properties and now had investments in Property Funds and Multi Asset Funds. The authority was now reliant on these investments to generate rental and investment income to support the revenue budget. Whilst the risk is

referred to within different sections of the current Strategic Risk Register, given the value of the investments and the authority's reliance upon the rental and investment income it was felt that it may be necessary to incorporate it into the Corporate Risk Register as a separate risk

The Assistant Director (Corporate Services) and the Principal Accountant (HRA & Exchequer) fielded questions from the Committee, explaining that:

- When the Homelessness Reduction Act was put on the Register, the Act had only been implemented since 03 April 2018 so the full impact of the Act and the actions required to mitigate that risk had not been fully assessed yet. The Council was in a much better position now and when the risk is reviewed for the 2020/21 Corporate Risk Register, the lead officer on that risk will be asked what else could be done to reduce the level of the residual risk
- An answer to how the Council calculates the threshold of risk and what the threshold actually is will be circulated to the Committee

Two suggestions were put forward by the Committee for inclusion on the 2020/21 Corporate Risk Register:

- Increased exposure to risk to Gravesham Borough Council from shared services with Medway Council
- Civil Risk (major disasters and flooding in the Borough etc)

The Assistant Director (Corporate Services) advised that those two suggestions would be taken away and assessed as part of the development of the next Corporate Risk Register. The results of the assessments would be brought back to the Committee to decide how the risks should be moved forward.

Concern was also raised over the risk score of cyber-attacks as it was felt that potential data loss through cyber-attacks should be classified as a much higher risk and needed further investigating.

**Resolved** that Members:

- Noted the progress made, as set out in appendix three, in managing or mitigating each risk recorded within the 2019-2020 Corporate Risk Register
- Agreed that the following two risks should be considered for assessment of potential inclusion in the 2020-21 Corporate Risk Register:
  - Increased exposure to risk to Gravesham Borough Council from shared services with Medway Council
  - Civil Risk (major disasters and flooding in the Borough etc)

### **31. General Fund Budget Monitoring Report - Q2 2019/20**

The Principal Accountant (General Fund) advised that the report provided an assessment of performance against approved budgets for the 2019/20 financial year for the first quarter to 30 September 2019 and directed Members attention to Page 104 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)

The Committee noted the information provided on pages 104-119 of the report:

- On actual performance against the approved Revenue and Capital budgets for 2019/20, including known variances agreed or identified through budgetary control activity
- Other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan or Financial Statements

The Committee were advised that Central Government had confirmed that the Local Government Finance Settlement 2020/21 would now be considered following the General Election so there continued to be no clarity.

### **32. Housing Revenue Account Budget Monitoring Report - Q2 2019/20**

The Principal Accountant (HRA & Exchequer) advised that the report provided an assessment of performance against approved budgets for the 2019/20 financial year for the first quarter to 30 September 2019 and directed Members attention to Page 128 of the report. It was a detailed one page executive summary that highlighted and explained the main points from the report regarding:

- HRA (Revenue)
- Housing Capital

The Committee noted the information provided on pages 128-135 of the report:

- On actual performance against the approved Revenue and Capital budgets for 2019/20, including known variances agreed or identified through budgetary control activity
- Other key areas of financial performance that may impact on the HRA Business Plan or Financial Statements.

Following questions from the Committee, the Assistant Director (Corporate Services) and the Principal Accountant (HRA & Exchequer) explained that:

- Kitchen void meant a Council property had become vacant during the financial year and a team had assessed the state of the kitchen. If required the kitchen would be replaced while the property was vacant and the cost was met through the kitchen void budget. A lot of the time it was easier for Gravesham to fit in a new kitchen in a vacant property than it was in a property with a tenant residing in it. The assessment of the New Build Programme was based on the sale of 30 properties a year which generated capital receipts; a portion of the receipts had to be given to central Government but a portion was also retained by the Council. The retained portion of the receipts becomes 30% of the funding for the new build projects and then the other 70% had to be match funded. The Council had a time limit of three years to spend the funds that were given

- In future years, it is projected that the HRA will not have the funds to match the 70% which was why borrowing was necessary; individual housing development schemes under the New Build Programme will be assessed to confirm financial viability to determine whether expected future rental income would cover the cost of debt repayments and other charges.
- Additionally the Council could just buy houses off the open market when they became available on existing housing sites however that is not the preferred option as Gravesham desired to build properties that met the requirements of residents in the Borough

### **33. Audit Progress Report and Sector Update**

The Committee received a verbal update from the External Auditor, Grant Thornton.

The External Auditor, Grant Thornton advised that she was the Lead Engagement Director responsible for issuing Gravesham's Value for Money Conclusion. It was explained to Members that there was no need for an update report to be submitted to this meeting due to there being nothing substantial to report on, however the 2019/20 audit year was about to begin and a meeting was scheduled with senior officers next week to start to coordinate the external audit.

The External Auditor, Grant Thornton explained that they were also required to audit the housing benefit grant claim; a sample test was carried out to see if there were any large scale errors in the processing of those claims. Only four small errors were identified but all of them were errors found and covered in the 2017/18 audit; the External Auditor, Grant Thornton assured the Committee that 4 small errors was very common and actually indicated a very good result.

A full audit report will be brought to the next Finance & Audit Committee in February to guide Members through all of the progress and work of the external audit process.

#### **Close of meeting**

The meeting ended at 8:26pm.