

## **Finance and Audit Committee**

**Tuesday, 9 March 2021**

**7.30 pm**

### **Present:**

Cllr Gurbax Singh (Chair)  
Cllr Sarah Gow (Vice-Chair)

Councillors:       Derek Ashenden  
                          Ejaz Aslam  
                          Gurjit Bains  
                          Gurdip Ram Bungar  
                          Dakota Dibben  
                          Nirmal Khabra  
                          Elizabeth Mulheran

Lisa Nyon	Assistant Director (Corporate Services)
James Larkin	Head of Audit & Counter Fraud Shared Services
Andrew Barnett	Principal Accountant (General Fund)
Ben Clarke	Committee & Scrutiny Assistant (Minutes)

### **95. Apologies**

An apology of absence was received from Cllr Emma Morley; Cllr Gurdip Bungar substituted.

### **96. Minutes**

The minutes of the meeting on Monday, 15 February 2021 were signed by the Chair.

### **97. Declarations of Interest**

Cllr Gow declared an Other Significant Interest as an appointed Director of Rosherville Limited, the Council's Local Authority Trading Company.

The Assistant Director (Corporate Services) declared an Other Significant Interest as an appointed Director of Rosherville Limited, the Council's Local Authority Trading Company.

Prior to moving onto the substantial items of the meeting, the Chair welcomed Cllr Gurjit Bains to the Committee.

### **98. Review of Accounting Policies 2020-21**

The Assistant Director (Corporate Services) sought the Committees endorsement of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2020-21.

The Principal Accountant (General Fund) highlighted the key points from section two of the report to Members. The Committee noted that there were no major changes to the Code that had been identified and would influence the Council's accounting policies for 2020-21.

The Principal Accountant (General Fund) also gave a verbal update on the anticipated external audit process for 2020-21; it was likely that the deadline for the audited accounts to be completed would be 30 September 2021 however the timetable proposed by Grant Thornton, the Council's external auditors was the end of August to October 2021. Due to that timetable, it was envisaged that the Council would not meet that deadline of 30 September as the external audit would have just begun, so it was suggested that the Accounts would be brought to the November F&A Committee meeting for Member approval.

In response to Members questions, the Assistant Director (Corporate Services) and the Principal Accountant (General Fund) explained that:

- Referencing the pension scheme on page 26 of the report, it was confirmed that 'triennial' meant every three years
- In response to a question seeking further expansion on 'financial assets expected credit loss'; it was explained that it was essentially an estimation of outstanding amounts we expect not to be recovered, with losses charged through the income and expenditure account. Officers reviewed the investments made annually and estimated the credit losses by looking at the amount that was invested against the duration of investment. As the outcome of the review produced a very low figure, it was not considered a significant amount and therefore not charged to the income and expenditure account for the current year
- A heritage asset was an item which held value due to its contribution to society and historical interest; there were eight heritage assets in the Borough
- In response to question concerning the impact of IFRS16 on the Councils accounting practices, it was explained that there would be no financial impact to the Council; it was a standard brought in by CIPFA and recommended that all local authorities adopt it. Members may notice a slight change in the presentation of certain items on the Council's balance sheet; an example being the Woodville cinema equipment which was leased but did not appear on the balance sheet, under the new standard that equipment would appear as a Council asset. In summary there would be no changes to the Councils overall finances but there would be presentational adjustments as to how assets were accounted for
- The 'beacon level' referred to the way that HRA Council dwellings were valued; the properties were divided into different types such as beacon one for one-bedroom houses or beacon two for one-bedroom flats etc. The sum of all the valuations was the sum that appeared in the accounts

Members requested that a glossary of terms be included in future reports as some of the wording was difficult to understand without technical knowledge.

The Assistant Director (Corporate Services) agreed to look into circulating a glossary to the Committee in future reporting. The Principal Accountant (General Fund) added that there was already a glossary of terms attached at the back of the Statement of Accounts which was published to the Council website; the glossary had been revisited in previous years and there was a review conducted by a cross party working group. The Principal Accountant (General Fund) apologised for some of the technical terms, the glossary tried to put the terms into 'everyday language', but some financial and accounting terms were not able to be simplified much further.

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

## **99. Draft Corporate Risk Register and Risk Management Strategy for 2021-22**

The Committee were presented with the outcome of the annual risk identification and analysis exercise that had been carried out to assist in the development of Gravesham Borough Council's Corporate Risk Register for 2021-2022.

The Assistant Director (Corporate Services) ran through the report and highlighted key points from the draft Corporate Risk Register 2020-21 and the Risk Management Strategy 2021-2022.

The Committee noted the five risks for inclusion of the Corporate Risk Register 2020-21:

1. Ongoing financial viability of the council
2. Changes in national priorities and legislation
3. Organisational capacity/resilience
4. Cyberattack resulting in data breach or corruption of data
5. Investment risk.

The new risks identified: Withdrawal of the United Kingdom from the European Union, Civil risk e.g., flooding, major disaster etc. and Digital transformation and remote working, were assessed and generated medium and/or low scores. The existing Universal credit risk generated a medium score following this year's assessment, therefore those four risks had not been included in the Corporate Risk register but would be managed at service level.

The Assistant Director (Corporate Services) fielded questions from the Committee and explained that:

- MT were having ongoing discussions at a strategic level regarding the future of home working at the Council and would be communicating a message to all staff in due course
- The general IT Systems risk within the Council had been considered at service level. The risk was considered through individual risk registers which were held at service level and reviewed by Service Managers and Directors; there were mechanisms in place to promote the service level risks to the Corporate Risk Register if they became more significant risks.

With regards to home working, Cllr Gow wanted it noted that staff should be applauded for the way they had adjusted to home working over the course of the pandemic and was pleased that staff would be spoken too directly about the future of homeworking. Additionally, home working assisted with the Councils pledge of going carbon neutral by 2030.

Following a request to move up the deadline, currently set at March 2022, for reviewing the risk posed by the London Resort Development, the Assistant Director (Corporate Services) agreed to discuss it with her colleges in Planning as they were partially responsible for 'Risk 2: changes in national priorities and legislation'. The Assistant Director (Corporate Services) agreed to inform Members of the decision.

The Assistant Director (Corporate Services) agreed to raise the following points with the Assistant Director (IT & Transformation) and bring a response to the Committee:

- Whether 'Risk 4: Cyberattack resulting in data breach or corruption of data', which had been assessed by the Assistant Director (IT & Transformation) should be reclassified as a lower risk.
- The target score for 'Risk 4' for end of the 2021-2022 financial year was 9 which was lower than the residual score of 10. A question was raised whether that score was achievable by the end of the year and what was the reasoning behind this target.

Cllr Gow requested assurances that universal risk was not a significant risk anymore and would not increase the risk of private landlords raising their tenant's rents exorbitantly leading to more evictions.

### **100. CIPFA FM Code**

The Committee were provided with a report that gave an overview of the Chartered Institute of Public Finance Accountants (CIPFA) Financial Management Code 2019, along with the initial self-assessment that had been undertaken by officers to identify compliance and areas for further consideration.

The Assistant Director (Corporate Services) highlighted key points from the report and the Committee noted that of the 17 standards, the Council scored 15 in the green rating and two in the amber rating which only required moderate improvement.

The Chair directed Member's attention to Appendix A to the report which outlined the positives of how Gravesham complied with the financial management code.

**Resolved** that Members noted the findings of the initial self-assessment and the requirement to be compliant with the code from 1st April 2022.

### **101. Audit & Counter Fraud Strategy Review 2020-24**

The Committee were provided with a report that updated them on progress against the Audit & Counter Fraud Strategy 2020-2024 made by the team during 2020-21 to date.

The Head of Audit & Counter Fraud Shared Services outlined key points from the review of progress against the Audit & Counter Fraud Strategy 2020-2024 which could be found at appendix two to the report. The Committee noted that progress against the strategy had been impacted quite significantly by the ongoing pandemic situation, with staff redeployed or assisting other services at various points throughout the 2020-21.

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

### **102. Audit & Counter Fraud Plan 2021-22**

The Committee were asked to approve the Audit & Counter Fraud Plan 2021-22 for Gravesham.

The Head of Audit & Counter Fraud Shared Services updated Members on the assessment undertaken to identify reviews listed in section two of the report.

**Resolved** that Members approved the Audit & Counter Fraud Plan 2021-22 for Gravesham presented at Appendix 2.

### **Close of Meeting**

The meeting ended at 8.11pm