

Finance & Audit Committee

Tuesday, 20 July 2021

7:30pm

Present:

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

Cllrs: Derek Ashenden
Helen Ashenden
John Caller
Dakota Dibben
Brian Francis
Emma Morley

Sarah Parfitt	Director (Corporate Services)
Darren Everden	Assistant Director (Transformation & IT)
Lisa Nyon	Assistant Director (Corporate Services)
Andrew Barnett	Principal Accountant (General Fund)
Alex Jarvis	Principal Accountant (Housing & Exchequer)
Helen Thaqi	Internal Audit Team Leader
Chris Wakeford	Committee Services Manager

103. Apologies

An apology for absence was received from Cllr Nirmal Khabra, Cllr Jordan Meade and Cllr Elizabeth Mulheran; Cllr Brian Francis, Cllr Helen Ashenden and Cllr John Caller attended as their respective substitutes.

An apology for absence was also received from Cllr Samir Jassal.

104. Minutes

Cllr Gow corrected a typo at Minute 99 that should have read:

‘Cllr Gow requested assurances that universal credit risk was not a significant risk anymore...’

The minutes of the meeting on Tuesday, 9 March 2021 were signed by the Chair.

105. Declarations of Interest

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

106. Update on 2019/20 external audit

The Assistant Director (Corporate Services) provided the Committee with an update on the 2019/20 external audit and highlighted the following:

- The audit had not yet been concluded due to issues with the St. George's Shopping Centre transaction and increased audit work nationally that auditors are required to carry out with regard to asset valuations and HRA dwellings. The Finance team are working with Grant Thornton to bring matters to a close.
- The Council is seeking to obtain a second opinion on the accounting treatment for the St. George's Centre as we wish to ensure that the correct accounting treatment has been applied. Once the Council has received this external advice, Members will be updated.

107. General Fund Provisional Outturn Report

The Principal Accountant (General Fund) presented the Committee with:

- The 2020/21 provisional General Fund Outturn Report, including movements in the General Fund working balances and earmarked reserves; and
- The 2020/21 provisional General Fund Capital Outturn

The Principal Accountant (General Fund) advised that the report was labelled as provisional as it was still subject to the external audit process and the receipt of the final audit opinion, which will come to the Finance & Audit Committee in due course.

The Principal Accountant (General Fund) directed Members to page 10 of the report which held an Executive Summary of the information in the report pertaining to the:

- General Fund – Revenue
- General Fund – Capital

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 (MTFP), or Financial Statements.

Following a question from a Member; the Principal Accountant (General Fund) explained that as a result of the Covid-19 pandemic and the country entering lockdown during 2020, magistrates' courts were only able to deal with urgent work, and local taxation liability order hearings were suspended. Although initially it was hoped that this situation would only last a few months, ultimately no Council Tax liability order hearings were able to take place throughout 2020/21.

The Chair thanked the Principal Accountant (General Fund) and the Committee noted the report.

108. Housing Revenue Provisional Outturn Report

The Principal Accountant (Housing & Exchequer) presented the Committee with:

- The 2020/21 provisional Housing Revenue Account Outturn and movements in the Housing Revenue Account working balances and earmarked reserves
- The 2020/21 provisional Housing Revenue Account Capital Outturn

The Principal Accountant (Housing & Exchequer) advised that the report was labelled as provisional as it was still subject to the external audit process and the receipt of the final audit opinion which will come to the Finance & Audit Committee in due course.

The Principal Accountant (Housing & Exchequer) directed Members to page 34 of the report which held an Executive Summary of the information in the report pertaining to the:

- HRA (Revenue)
- Housing Capital

Members were updated on other key areas of financial performance that may impact the HRA Business Plan.

Following Members comments and questions, the Principal Accountant (Housing & Exchequer) highlighted the following:

- **Service Charges: £436k adverse variance** – there is an adverse variance of £370k due to the original budgeted income being overstated in respect of tenant service charges (£370k). In addition to this, leaseholder service charges had an adverse variance of £66k at year end which included reimbursements of £31k which were not budgeted in 2020/21. A review of the budget setting process for 2021/22 has been completed to ensure that the overstatement of income is not repeated. Service Charges differ depending on the type of accommodation but they relate to caretakers, communal areas (electricity) etc.
- **Garage Income: £49k adverse variance** – the adverse variance is due to a decrease in rental income from garages, this reduction in income was offset by the increase in commercial rent. The Principal Accountant (Housing & Exchequer) agreed to provide further information to the Committee outside of the meeting on the decrease in rental income from garages.
- **Disabled Adaptations: £116k favourable variance** – Due to the vulnerability of the client base, access issues and a significant reduction in referrals from Occupational Health due to Covid-19, works have not been carried out giving rise to a favourable variance of £116k. These works are expected to be completed as soon as the easing of restrictions allow.
- There is a Typo at paragraph 4.5.1 that should read ‘Britain’s Bravest Manufacturing Company’

The Chair thanked the Principal Accountant (Housing & Exchequer) and the Committee noted the report.

109. Annual Treasury Management Review 2020/21

The Principal Accountant (Housing & Exchequer) presented the Committee with a report that updated them on treasury management activity during 2020-21 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) revised code on Treasury Management.

The Principal Accountant (Housing & Exchequer) outlined key points from the report regarding:

- The Councils' Capital Expenditure and Financing
- The Council's Overall Borrowing Need
- The Treasury Position as at 31 March 2021
- The Investment Strategy and Control of Interest Rate Risk for 2020/21
- The Borrowing Strategy and Control of Interest Rate Risk Rates in 2020-21
- The Borrowing Outturn for 2020-21
- The Investment Outturn for 2020/21
- UK Sovereignty

It was **resolved** that:

- The Finance and Audit Committee note the contents of the report.
- Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the figures in this report, as necessary following successful completion of the final accounts process.

110. Annual Governance Statement 2020/21

Member's approval was sought for the Council's Annual Governance Statement for the 2020-21 financial year.

The Assistant Director (Corporate Services) outlined the key points from the report regarding the annual review of the Council's governance framework 2020-21 and drew Members attention to the following:

- The Annual Governance Statement for 2020-21 was prepared against the findings of the annual review of governance arrangements. Appendix Three to the report provides Members with a copy of the Full Governance Review and its outcomes; the review was conducted by the Corporate Performance Manager, in full consultation with the council's AGS Assurance Group.
- A copy of the statement, including a relevant suite of actions for consideration, is attached at Appendix Four to the report.
- Whilst no significant control issues were identified, the review presented some opportunities to further develop and strengthen the Council's governance framework and system of internal control in 2020-21. The plan for activity in the coming year was presented in section 14 of the AGS.
- The Annual Governance Statement is to be signed by the Chair of the Finance & Audit Committee upon approval by Members.

It was **resolved** that:

- Members noted the findings of the review of the council's governance arrangements for 2020-21.
- Members approved and supported the Annual Governance Statement for the 2020-21 financial year.

111. Annual Audit & Counter Fraud Report 2020/21

The Committee was informed of the work completed during 2020-21 and presented with the opinion of the Head of Audit & Counter Fraud Shared Service, as Chief Audit Executive, on the Council's framework of governance, risk management and internal control .

The Internal Audit Team Leader advised that the opinion was listed in full in section 2 of the report, this concluding that:

'It is therefore my opinion that Gravesham Borough Council's framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient and effective use of resources in achieving the council's objectives.'

The Internal Audit Team Leader further guided Members through the report and highlighted key points from the following areas:

- Independence
- Resources
- The Results of Planned Audit & Counter Fraud Work
- Quality Assurance & Improvement Programme
- Follow up of agreed recommendations
- Recommendations outstanding more than six months after scheduled implementation date
- Update on 2021-22 Planned Audit & Counter Fraud Work

Following questions from the Committee, the Director (Corporate Services) and the Internal Audit Team Leader highlighted the following:

- Pg 145 Counter Fraud Assurance Work - Lone workers Amber rating: this recommendation is being taken seriously at Management Team and Daniel Killian, Director (Housing) is looking at this area with his team to make sure processes are put in place. The Director (Corporate Services) will highlight this matter to Management Team as an area of concern for the Committee.
- The Internal Audit Team Leader explained that audit testing varies depending on the timing of the audit but is typically based on the previous 12 months.

It was **resolved** that:

- The Finance & Audit Committee endorsed the work undertaken by the Audit & Counter Fraud Shared Service for Gravesham during 2020-21 in providing an effective service to the Council
- The Finance & Audit Committee considered and endorsed the opinion on the Council's internal control environment provided by the Head of Audit & Counter Fraud Shared Service

112. Notification of Red Audit Opinions

The Internal Audit Team Leader explained that in accordance with the terms of reference of this committee, Internal Audit is required to report to the committee on reviews given an opinion of Red where the Chief Audit Executive (in consultation with the Section 151 Officer and/or Monitoring Officer as applicable and following discussion with the Chair of the Finance & Audit Committee) considers the weaknesses identified to exceed a financial threshold of £25,000, or where they represent a significant risk to the achievement of the council's corporate objectives.

The Internal Audit Team Leader notified Members of audit opinions of Red given following Internal Audit reviews of Private Housing Enforcement and IT Asset Management, as detailed in sections two and three of the report.

Following a question from a Member, the Internal Audit Team Leader explained that, with regard to IT Asset Management, four of the five recommendations are due to be completed by the end of August 2021 with the fifth being completed by the end of August 2022.

Three of the Private Housing Enforcement recommendations are due to be completed by 31 March 2022, one by 31 August 2022 and one by 31 December 2022; the other was implemented before the audit was finalised.

The Chair thanked the Internal Audit Team Leader and the Committee noted the report.

113. National Fraud Initiative Update

The Internal Audit Team Leader provided Members with an update on the work completed in relation to the data matches received as part of the National Fraud Initiative Exercises 2019-20 and 2020-21.

The Internal Audit Team Leader highlighted the following:

- Progress with the 2019-20 Exercise: only 20 out of 934 matches remain open, with ongoing enquiries being undertaken. Overall this work has led to savings totalling approximately £100,000.
- Progress with the 2020-21 Exercise: 3,736 matches were received in January 2021. The Audit & Counter Fraud Team is seeking assistance from council departments to speed up the elimination of matches where no further action is required.
- The proposal within the report for six monthly progress updates had been reviewed and discussed with the Chair prior to the meeting. It was instead proposed that the Committee will receive an update in Sept 2021 and progress will then be presented on an annual basis thereafter. This will ensure updates are more complete and meaningful.

The Chair thanked the Internal Audit Team Leader.

It was **resolved** that:

- Members agreed to receive a further update at the September 2021 meeting of the F&A Committee and thereafter receive annual progress updates instead of six monthly.

114. Annual Report of the Audit Committee Chair 2020/21

The Committee received the Annual Report of the Audit Committee Chair 2020/21 which provides information on the work of the Finance and Audit Committee during the year 2020/21.

The Chair explained that the report acknowledges the work good work of officers and Councillors and thanked all those involved.

The Director (Corporate Services) explained the importance of celebrating the Committee and demonstrating the strength of the Council's governance arrangements. This report will be presented to Full Council.

It was **resolved** that:

- The Finance & Audit Committee endorsed the Annual Report presented at Appendix 2.
- The Finance & Audit Committee agreed that the Annual Report be presented to the next Full Council meeting.

Close of meeting

The meeting ended at 20:30pm.