

**ANNUAL REPORT OF THE CHAIR OF THE
FINANCE & AUDIT COMMITTEE 2022/23**

FOREWORD

I am pleased to provide an annual report to Cabinet regarding the work of the Finance and Audit Committee, which details the achievements of the Committee in 2022/23. Being newly elected in May this is my first annual report and builds on the sterling work of my predecessor, Cllr Gurbax Singh. I'd like to thank all Officers thus far for a warm welcome to the Committee. The induction and support provided by Officers since my appointment has been excellent and I look forward to meeting and working with the wider team over the course of my tenure.

I have reviewed the papers of the Committee presented during the last financial year and have been impressed by the breadth of topics covered and the rigour with which the Committee has undertaken its duties. Effective governance and scrutiny rely on both inquisitive Members as well as a high standard of documentation prepared by Officers.

It is clear from the material considered over the last year that the Committee has received significant support and guidance from all officers, in particular within the Finance, Internal Audit and Counter Fraud Teams for not only managing the finances of the borough but also providing and presenting complex information in an accessible way for members and the public to understand the authority's financial situation which helped, and will help, the Committee in its scrutiny of the authority's finance and governance arrangements.

The remit of the Finance and Audit Committee covers the following aspects:-

- Receiving and considering the content of reports from Internal Audit
- Receiving and considering reports from the council's External Auditor
- Ensuring that management teams take appropriate actions to implement the recommendations contained in these reports
- Scrutiny of specific Service Groups to ensure that audit requirements and recommendations are being met
- Receiving reports on risk management and governance issues
- Having responsibility for ensuring that the Annual Statement of Accounts and the Annual Governance Statement present a fair and accurate position of the council
- Having regard for the Annual Audit Letter provided by the council's External Auditor.

The reports that have been scrutinised over the last twelve months include:

- Council's Fraud Detection Activity
- Reports from Internal Audit
- Strategic risk register
- Annual Governance Statement
- Financial matters including arrears
- Compliance with CIPFA Financial Management Code
- Appointment of External Auditors

We will continue to highlight the role and purpose of The Finance and Audit Committee across the authority and ensure we hold ourselves to the highest standards in the role we play in managing the risks facing the Council.

We will continue to value our relationship with our internal and external auditors; we will also continue to ensure that all recommendations in relation to audit reviews are implemented in a timely manner.

As pressure grows on the council finances, demand on services increases and uncertainty persists in the wider environment, I look forward to leading this critical Committee with the help of all members.

Councillor Gavin Larkins
Chair of the Audit & Accounts Committee 2023/24

1. Work of the Finance and Audit Committee during 2022/23

- 1.1. In line with its Terms of Reference, which can be found at the end of this report, the Finance and Audit Committee has met 5 times during the course of the last year. Details of the range of issues considered by the Committee over the course of the year are set out in the tables below:-

Internal Audit and Counter Fraud

| Date of Meeting | Agenda Item |
|-------------------|--|
| 7 March 2023 | <ul style="list-style-type: none"> • Internal Audit & Counter Fraud Quality Assurance and Improvement Programme • Internal Audit Plan 2023-24 (Q1-Q2) • Counter Fraud Plan 2023-24 (Q1-Q2) |
| 13 February 2023 | <ul style="list-style-type: none"> • Internal Audit Update (Q3) • Counter Fraud Update (Q3) • Internal Audit Charter 2023-24 • Internal Audit & Counter Fraud Strategy Progress Review |
| 9 November 2022 | <ul style="list-style-type: none"> • Internal Audit Update (Q2) • Counter Fraud Update (Q2) • National Fraud Initiative Annual Update |
| 26 September 2022 | <ul style="list-style-type: none"> • Internal Audit Update Q1 • Counter Fraud Update Q1 • Internal Audit Plan (Q3-Q4) |
| 19 July 2022 | <ul style="list-style-type: none"> • Internal Audit & Counter Fraud Report • Internal Audit & Counter Fraud Satisfaction Survey Results |

Governance and Risk

| Date of Meeting | Agenda Item |
|-------------------|---|
| 7 March 2023 | <ul style="list-style-type: none"> • Corporate Risk Register 2023-24 • Corporate Risk Strategy 2023-24 • CIPFA Financial Management Code |
| 13 February 2023 | <ul style="list-style-type: none"> • PSAA Appointment of External Auditor from April 2023 |
| 9 November 2022 | <ul style="list-style-type: none"> • Corporate Risk Register, Mid – year review |
| 26 September 2022 | <ul style="list-style-type: none"> • Local Government & Social Care Ombudsman Annual Review Letter 2021/22 |
| 19 July 2022 | <ul style="list-style-type: none"> • Annual Governance Statement • Annual Report of the Audit Committee Chair |

Accounts and External Audit

| | |
|------------------|---|
| 7 March 2023 | <ul style="list-style-type: none"> • Review of Accounting Policies 2022-23 • External Audit Update from Grant Thornton |
| 13 February 2023 | <ul style="list-style-type: none"> • Treasury Management & Capital Strategy 2023-24 • General Fund Monitoring Report Q3 2022-23 • Housing Revenue Account Budget monitoring Q3 2022-23 |
| 9 November 2022 | <ul style="list-style-type: none"> • General Fund Budget Monitoring Report Q2 • Housing Revenue Account Budget Monitoring Q2 • Treasury Management, Mid-Year Review |

| | |
|-------------------|--|
| 26 September 2022 | <ul style="list-style-type: none"> • General Fund Budget Monitoring Q1 • Housing Revenue Account Budget Monitoring Q1 |
| 19 July 2022 | <ul style="list-style-type: none"> • General Fund Provisional Outturn • Housing Revenue Account Provisional Outturn • Annual Treasury Management Review |

3. Other items to note

- 3.1 Nationally as of January 2023 there were over 600 outstanding audit opinions across local government spanning a number of years. There have been a variety of reasons for this backlog which include lack external audit resource, disruption as a result of the COVID-Pandemic, increasing complexity in local authority accounts and increased regulation by the Financial Reporting Council (FRC). Currently there are ongoing discussions as to how this backlog could be addressed between the FRC and The Department for Levelling Up, Housing and Communities (DLUHC).
- 3.2 Updates from officers on the current audit position were shared with the Chair and the Finance & Audit Committee throughout the year, and an update was provided by the Council's external auditor, Grant Thornton LLP at the committee meeting in March 2023. An outline timeframe has now been agreed to conclude the 2019/20 audit and it is intended that this work will be concluded and reported to the Finance & Audit Committee in November 2023. The Finance and Audit Committee maintains and will continue its constructive dialogue and effective working arrangements with the external auditors into 2023/24.
- 3.3 Member attendance of the Committee during the past year is shown in the table at the end of this report.
- 3.4 The work of the Committee has had a positive impact and contributes to the overall internal control environment within the Council which feeds into the Annual Governance Statement. The Committee has continued its excellent working relationships with officers and External Audit. The Committee will continue to develop and improve its understanding of the many technical issues presented to it during 2022/23 and in future years.

**Gravesham Borough Council
Finance & Audit Committee – Terms of Reference
(as set out in Annex 1.2 of the Constitution)**

Statement of Purpose:

The purpose of the Finance & Audit Committee is to provide independent assurance of the adequacy of the risk management and internal control environment of the Council, independent scrutiny of the authority's financial and non-financial performance and oversight of financial reporting processes.

Budget and Financial Control

1. To monitor the overall state of the Council's finances on at least a quarterly basis and advise the Cabinet on any action it recommends.
2. To consider the Council's Treasury Management Strategy and prudential indicators prior to the start of the financial year and adoption by the Full Council. To receive at least an in-year and annual report on treasury management activity and to comment on any amendments or updates to the strategic treasury management framework during the course of the year.

Annual Financial Statements

3. To review the annual accounting policies to be used in preparing the annual statement of accounts.
4. To review the response to the External Audit Letter to those charged with Governance prior to sign off by the Chair of the Committee.
5. To receive the audit findings report, annual audit letter and management's response to any audit finding and recommendations.
6. To consider and approve the Council's statement of accounts each year.

External Audit

7. To inform the appointment of the External Auditor undertaken by Full Council.
8. To review with management the annual audit fee letter and annual audit plan and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity.

Internal Control, Risk Management and Internal Audit

9. To review the effectiveness of the council's internal control framework, including the review and approval of the Annual Governance Statement.
10. To inform the risk assessment process used to develop the Risk Management Strategy and Corporate Risk Register for the Council.
11. To monitor the effective development & operation of risk management in the authority.
12. To monitor and review the performance of internal audit, the effectiveness of the internal audit and counter fraud function, the internal audit programme and internal audit findings, including the effectiveness of management's response to any recommendations made.
13. To consider the summary findings of internal audit reports given an opinion of Red, where the Chief Audit Executive (in consultation with the Section 151 Officer and/or Monitoring Officer as applicable and 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.

14. To seek such assurance as it may deem appropriate that the internal audit function is independent, adequately resourced and has appropriate standing within the Council.
15. To receive the annual opinion from the Chief Audit Executive.
16. To consider and make recommendations on reports to the Council by Internal Audit, External Audit, other external inspectorates and the Local Government Ombudsman.

**Finance and Audit Committee Attendance
2022/23**

| Date of Meeting/Member Present | 19 July 2022 | 26 September 2022 | 9 November 2022 | 13 February 2023 | 7 March 2023 |
|---------------------------------------|---------------------|--------------------------|------------------------|-------------------------|---------------------|
| Cllr Gurbax Singh (Chair) | √ | √ | √ | √ | √ |
| Cllr Sarah Gow (Vice-Chair) | √ | √ | √ | | √ |
| Cllr Derek Ashenden | √ | √ | √ | √ | |
| Cllr Dakota Dibben | | √ | √ | √ | √ |
| Cllr Gary Harding | √ | √ | √ | √ | √ |
| Cllr Samir Jassal | | √ | √ | √ | |
| Cllr Nirmal Khabra | √ | √ | √ | | √ |
| Cllr Lyn Milner | √ | √ | √ | √ | √ |
| Cllr Emma Morley | √ | √ | | √ | √ |
| Cllr Leslie Hoskins (substitute) | √ | | | | |
| Cllr John Caller (substitute) | | | √ | √ | |
| Cllr Brian Sangha (substitute) | | | | √ | |
| Cllr Frank Wardle (substitute) | | | | | √ |