

## Finance and Audit Committee

Tuesday, 19 September 2023

7.30 pm

### Present:

Cllr Gavin Larkins (Chair)  
Cllr Ektaveen Thandi (Vice-Chair)

Councillors:       Derek Ashenden  
                          Lee Croxton  
                          Dakota Dibben  
                          Aaron Elliott  
                          Jo Hart  
                          Samir Jassal  
                          Karina O'Malley

Sarah Parfitt	Director (Corporate Services)
Lisa Nyon	Assistant Director (Corporate Services)
Anita Tysoe	Head of Town Centre and Cultural Services
Alex Jarvis	Principal Accountant
James Larkin	Head of Internal Audit & Counter Fraud Shared Service
Paul Dossett	Partner, Grant Thornton UK LLP
Chloe Taylor	Committee Services Officer (Minutes)

### 13. Apologies for absence

No apologies for absence were received.

### 14. To sign the minutes of the previous meeting.

The minutes of the meeting of the Finance and Audit Committee held on Tuesday, 18 July 2023 were agreed and signed by the Chair, subject to the correction of a typo under 'Item 11: Counter Fraud Annual Report'.

### 15. Declarations of Interest

No declarations of interest were made.

### 16. Local Government & Social Care Ombudsman Annual Review Letter 2022-23

The Head of Town Centre and Cultural Services presented members of the committee with a report that provided a copy of the Local Government & Social Care Ombudsman annual review letter to support transparency and encourage learning from complaints. The following key points were highlighted:

- In total, the Ombudsman made 12 decisions (2 of those relating to complaints or enquiries received in the previous financial year).

- They gave advice to 1 contact, referred 4 back to the council to resolve through our complaints process, closed 4 after initial enquiries, deemed 1 complaint invalid, and upheld 2 complaints.
- The ombudsman review letter was presented at Management Team and came to the Finance and Audit Committee to ensure transparency and awareness.
- The letters were also published on the ombudsman website.

Following questions from the committee, the Head of Town Centre and Cultural Services and the Head of Internal Audit & Counter Fraud Shared Service advised that:

- The recommendations were issued by the ombudsman and Gravesham Borough Council (GBC) kept this information at department level. GBC were required to report back with evidence that we have undertaken the recommendations.
- The review letter had not been factored into the risk assessment for audit, but this was something that could be done moving forward if necessary.

The committee noted the report.

## **17. General Fund Budget Monitoring Report - 2023/24 - Quarter One**

The Assistant Director (Corporate Services) presented the committee with a report that provided them with information on actual performance against the approved revenue and capital budgets for 2023/24. This included projected variances agreed or identified through budgetary control activity. The following key points were highlighted:

- This report was presented to Cabinet on Monday 11 September.
- As at Quarter One there was a forecast overspend on the General Fund of £917k, mainly associated with the cost of temporary accommodation.
- The table under section 3.1.2 set out the known and projected variances.
- Section 3.8 explored the wider unbudgeted risks to the Medium-Term Financial Plan (MTFP) and listed the mitigating actions to elevate pressures.
- Actual spend against the approved capital programme, as at the end of Quarter One was £7m.
- The report included a new section on treasury management indicators and members would be seeing this included in budget monitoring reports going forwards.

Following questions and comments from Members, the Director (Corporate Services) and the Assistant Director (Corporate Services) explained that:

- The expenditure associated with St Georges Centre would be reflected in any budget monitoring going forward once the final structure and associated accounting requirements had been confirmed.
- The capital programme budget for the new Leisure Centre factored in the planned spend within the current financial year. This only reflected part of the costs for the project, which spanned more than one financial year.
- £405m was the council's own authorised borrowing limit and this would not be exceeded.
- The housing benefit subsidy line on the MTFP included the welfare benefits that GBC pay out and what payments we get from the government for these. This budget line had been reviewed and reset in the last quarter to reflect current claim levels.

The Committee noted the report.

## **18. Housing Revenue Account Budget Monitoring Report - Quarter One - 2023/24**

The Principal Accountant presented the committee with a report providing information on the actual performance against the approved revenue and capital budgets for 2023/24. This included known variances agreed or identified through budgetary control activity. The following key points were highlighted:

- As of the 30 June 2023 the forecast reflected a £722k overspend, driven by current economic climate challenges affecting things such as the cost of materials and repair costs.
- There were issues surrounding the inability to recruit, meaning there was an increased reliance on external contractors.
- Section 3.2.2 explained the £273k adverse variance in relation to disrepair claims. Only 28% of the adverse variance related to the value of claims themselves, the rest is associated with legal fees for solicitors who were dealing with the claims.
- There was a predicted overspend of £350k associated with the cost of repairs. The Finance Team are working with the housing department to manage this and capitalise costs where possible.

Following questions and comments from Members, the Principal Accountant and the Director (Corporate Services) explained that:

- The council was looking into both the usage and the mechanics of heating systems used by the council, recognising that external funding will be needed to bring actions forward to reach the net zero target by 2030.
- Disrepair claims are an issue for a number of councils. The Housing Department were working to publicise to tenants that GBC should be their first point of contact for any repair works needed within their properties, rather than it escalating to a disrepair claim.
- Legal Services were also working with the Housing Department to manage disrepair claims received and mitigate the financial impact of these.
- The turnover of staff was above what was expected. Difficulties in recruitment had been experienced due to finding candidates with the relevant skills that were needed.
- It was agreed that borrowing assumptions included within the budget take into account what is predicted to happen with interest rates over the next few years, based on information from the council's treasury advisors.

The Principal Accountant agreed to feedback to the housing department about the promotion of the home swapper service.

The committee noted the report.

## **19. Learning from Local Government Interventions**

The Director (Corporate Services) presented members of the committee with a report that provided them with an overview on the recently published failings in other Local Authority as a means of learning from them. The following key points were highlighted:

- The Department for Levelling Up, Housing and Communities (DLUHC) issued guidance for addressing cultural and governance failings in local authorities which shared lessons from recent interventions and set out a set of indicators of cultural or governance issues. GBC looked to carry out a self-assessment against those key characteristics. This found that the council has many strengths in its organisational culture and governance arrangements, but did identify opportunities to build on these strengths and continue to develop and enhance the arrangements the council has in place.

Following questions and comments from Members, the Director (Corporate Services) explained that:

- With regards to the findings of the recently completed Whistleblowing audit review, the Director (Corporate Services) would liaise with the Audit & Counter Fraud Shared Service Manager and check the positions of the amber findings and if needed this could be built into the self-assessment and action plan.
- In relation to asset purchases, a risk assessment was completed, and these practices continue to develop.

The committee noted the report.

## **20. External Audit Progress Report and Sector Update**

The Partner, Grant Thornton UK LLP updated members on the progress to date on the work of external audit in relation to the 2019/20 Financial Statements Audit, 2019/20 Value for Money conclusion and certification of the Housing Benefit Subsidy claim for 2021/22. In respect of the Financial Statements Audit, the Partner highlighted that although significant progress has been made in moving towards completion of the audit, there were two remaining areas of audit challenge that he did not anticipate would be resolved. This was likely to lead to a modified audit opinion.

An initial draft of the Value for Money Conclusion for 2019/20 had been shared with council officers, with the report focusing on the St Georges transaction with Aviva Investors and Reef. The final report would come to a future meeting.

By way of context, the Partner set out that in December last year there were 600 local audit opinions outstanding nationally, and the Government has suggested two different methods as an approach to address these delays:

- 1) Back Stop – outstanding audits will be given a date by which they must be completed. If they cannot be completed by this date, the external auditor will be required to publish a disclaimer on the financial statements. This is not an ideal situation, and also poses the risk that accounting issues simply get pushed into the following year and do not get resolved. It was expected that back stop dates could be announced within the next few months. The government's aim was to clear the back log by March 2025.
- 2) A new Audit Code of Practice is expected to be adopted later this year which will reduce the level of regulatory requirements directing the amount of work auditors do on asset evaluations and pension liabilities, intended to help speed up the audit process.

Following questions and comments from Members, the Partner, Grant Thornton UK LLP advised that:

- There was an on-going issue with a shortage of skilled auditors and people entering the profession.
- In his view, the external audit team in 2018/19 did not necessarily scrutinise the St Georges transaction in the same way that the new audit team did.
- The Housing Benefits Audit process was complicated and based on a set of instructions outlined in a mandated workbook. Grant Thornton was required to report any errors, down to the pence and had no room within the regulations for adopting any other approach.
- The Assistant Director advised members that the Housing Benefit workbooks had been received in March 2023 for audit, but that there had been some system access issues for Grant Thornton.
- The article 'Current Local Audit Deadline' (page 110) provided a generic outlook from Grant Thornton on the way local authority finance teams were resourced, as a contributing factor to why local audit deadlines were not achievable. The Partner clarified that the specific reason there was a delay in the audit with GBC was due to technical accounting issues, rather than any resourcing issues.
- There was no scope for pragmatism within audits; the external audit process is highly regulated and audit firms have been fined for deficient audits.

The committee noted the report.

## **21. Internal Audit Update Report**

The Head of Internal Audit & Counter Fraud Shared Service presented members of the committee with a report detailing the work of the internal audit team, and highlighted the following:

- Section 4 outlined how resources had been used.
- In relation to the table under section 5, there was one review from 2022/23 left to be finalised and members were informed that this happened on Monday 18 September, concluding all work from 2022/23.

Following questions and comments from members, the Head of Internal Audit & Counter Fraud Shared Service explained that:

- In reference to the homelessness review which resulted in a red opinion; the Committee will receive a separate report. The report was finalised during the summer holidays, and with annual leave and other commitments, it would not have been possible for the service to provide a response in time for the September committee meeting, but this would be brought to the meeting in November. It was pointed out that the red opinion was likely driven by the high demand for the service, meaning it was partly beyond their control. A full report would be received in November.
- The review of 'write-offs' on page 125 related to debt that they were unable to recover.

The committee noted the report.

## **22. Counter Fraud Update Report**

The Head of Internal Audit & Counter Fraud Shared Service presented members of the committee with a report detailing the work of the counter fraud team.

Following questions and comments from members, the Head of Internal Audit & Counter Fraud Shared Service explained the following:

- Some cases related to individuals who had received discounts on their council tax, but had failed to report any change of circumstances or had lied about their situation in order to get a discount. With regards to the fraud savings listed from these cases, Gravesham would only retain around 12% of the additional council tax collected, but the total figure is presented as it represents the saving to the public purse.

The committee noted the report.

## **23. Internal Audit Plan (Q3 - Q4) 2023-24**

The Head of Internal Audit & Counter Fraud Shared Service presented members of the committee with a report recommending the approval of the Internal Audit Plan (Q3-Q4) 2023-24 for Gravesham. The proposed plan started on page 153 of the agenda pack.

**Resolved** that members:

1. approved the Internal Audit Plan (Q3-Q4) 2023-24 for Gravesham presented at Appendix 2.

### **Close of meeting**

The meeting ended at 8.35pm