

Finance & Audit Committee

Wednesday, 09 November 2022

7:30pm

Present:

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

Cllrs: Derek Ashenden
 Helen Ashenden
 Aaron Elliott
 Jo Hart
 Samir Jassal
 Karina O'Malley

Sarah Parfitt Director (Corporate Services)
Lisa Nyon Assistant Director (Corporate Services)
Alex Jarvis Principal Accountant (Housing & Exchequer)
Andrew Barnett Principal Accountant (General Fund)
Paul Dossett External Auditor, Grant Thornton
Ben Clarke Committee Services Officer (Minutes)

38. Apologies for absence

An apology for absence was received from Cllr Dakota Dibben (Cllr Helen Ashenden substituted) and Cllr Lee Croxton.

39. To sign the minutes of the previous meeting.

The minutes of the meeting on Wednesday, 09 November 2023 were signed by the Chair.

40. Declarations of Interest

No declarations of interest.

41. Updated Audit Findings Report for Gravesham Borough Council - Year end 31 March 2020

The committee was presented with an Audit Findings Report at the previous Finance & Audit Committee on 08 November, however at that stage the external audit process was in progress. An updated report that included an action plan with management responses and the draft audit opinion had now been provided for Members and could be found at Appendix One. The report gave Members a further update on the findings of the council's External Auditor, Grant Thornton UK LLP, from the audit of the council's financial statements and arrangements for securing Value for Money for the year ended 31 March 2020.

The External Auditor, Grant Thornton advised that there were two areas that were the basis for the qualified opinion:

- The first area was around the St Georges transaction; the Council had determined that the money paid by Aviva, on behalf of the Council to Reef should not be accounted for as the monies were never in any of the Council's accounts and were made outside of the Council's accounting boundary
- The second area was around asset valuations and the HRA Revaluation Reserve; there was a technical adjustment which would have no financial impact on the Council or the 2019/20 accounts. It would take considerable time for the Council to resolve the matter as properties had to be revalued from 2007/08 onwards which the Council currently did not have the resources or capacity to complete

The External Auditor, Grant Thornton explained that an independent panel had reviewed the reasons for the qualified audit and agreed that it was appropriate as outlined in the report. The final fee position had also been agreed with the Council and was reflected in the report.

The External Auditor, Grant Thornton confirmed that the audit was essentially complete; it was hoped the 2019/20 accounts would be fully signed off by mid-January 2024.

The Chair thanked officers and the external auditors for their hard work in completing the audit of 2019/20 accounts.

The Chair queried several discrepancies in the report with regards to compliancy with the CIPFA Code and asked for clarification on whether the Council had been compliant with the CIPFA Code, in particular in relation to the HRA Revaluation point.

The External Auditor, Grant Thornton explained that the CIPFA Code required granular revaluation and Grant Thornton had requested that the Council account for a full restatement of the Revaluation Reserve in line with the CIPFA Code, but the request was rejected due to lack of resources. The CIES, MIRS, Cashflow Statement, the PPE note, Unusable Reserves note, and other related notes would be impacted. However, there would be no impact to Balance Sheet or the HRA overall.

The Chair reconfirmed that Members had endorsed the position taken by senior management at the Council.

The Director (Corporate Services) reconfirmed that the Council took the view that the money paid by Aviva, on behalf of the Council to Reef should not be recognised as part of the liability in the accounts, because the payments made were outside the Council's accounting boundary as the Council did not make any payments or receive any income in the Council's books and records which reflected those transactions.

Members noted the report.

42. Statement of Accounts 2019/20 & Letter of Representation 2019/20

The Committee were asked to consider the Statement of Accounts for 2019/20 and give their approval for the Chair of the Finance and Audit Committee to sign the audited Statement of Accounts for 2019/20 and the Letter of Representation, on completion of the audit by Grant Thornton.

The Principal Accountant (General Fund) advised that a training video link had been circulated to Members with the agenda pack and prior to the meeting which outlined key

information regarding the Statement of Accounts for 2019/20. As at the time of writing this report, the External Auditor anticipated providing a modified opinion in respect of the financial statements of the Council for the year 2019/20 which was mainly due to the accounting for HRA valuations and The St George's Shopping Centre Transaction.

The Principal Accountant (General Fund) advised that:

- The original 2019/20 accounts were submitted to the external auditors in July 2020; the report was concerning the updated statement of accounts for 2019/20 but there were also changes for the restated 2018/19 accounts
- A column had been added to the final statement showing the restated figures for 2018/19 compared to what was brought to the Committee in July 2019
- There were various footnotes on the tables in the report which drew out comparisons to the original document and the restated version
- The vast majority of changes related to the revised accounting arrangement for the St Georges Centre transaction and minor presentational adjustments on things like cash flow forecast

In response to a question, the Principal Accountant (General Fund) explained that the reason for the large increase in the Chief Executive directorate on the comprehensive income & expenditure statement from 2018/29 to 2019/20 was likely due to the Council reorganising itself internally. Some services from another directorate would have been moved over to the Chief Executive directorate resulting in the increased figures; at that time it was likely Communications and Corporate Change.

In response to a question from the Chair the External Auditor, Grant Thornton advised that he was confident that the audit of 2019/20 accounts would be completed by mid-January 2024.

The Chair asked that the External Auditor, Grant Thornton to run Members through the process for the auditing of the 2020/21 accounts.

The External Auditor, Grant Thornton explained that:

- At the last F&A meeting, it was explained that the Government had sent letters to all Councils in July 2023 discussing audit firm capacity issues and concern about the number of delayed audit opinions in the country. At that time the Government were exploring the option of requiring outstanding audits to be completed by an agreed cut-off date, potentially 31 March 2024
- A consultation further exploring that option would be released in January 2024 and the Council would be able to provide its view on the proposals at that time. The cut-off date for requiring the audits of the 2020,2021,2022 and 2023 to be completed is now likely to be moved to 30 September 2024 but Grant Thornton raised concerns as to whether this was a viable option
- Grant Thornton were unsure if all outstanding audits could be completed earlier than 30 September 2024. However, for that to happen an accommodation would be needed to be sought from the Government agreeing a focus on the 2023/24 accounts
- The January consultation would help to identify what the external auditors core focus should be

The Director (Corporate Services) further added that a conversation would be had with Grant Thornton in the new year about what the new timetable was for completing the outstanding audits was and an update would be brought to a future F&A meeting.

Resolved that Members:

1. Agreed that the Chair of the Finance and Audit Committee sign the Statement of Accounts for the Council, subject to any final comments received by the External Auditor. Any further amendments required will be notified to members of the Finance and Audit Committee
2. Approved the letter of representation at Appendix Two of the report for signing by the Chair of the Finance and Audit Committee

43. Addendum to AGS 2019/20

The Committees approval was sought for a proposed addendum to the council's Annual Governance Statement for the 2019-20 financial year.

The Assistant Director (Corporate Services) highlighted that following the adoption of the AGS for 2019-20, the report presented an addendum specially designed to respond to the findings of Grant Thornton's Value for Money Report 2019-20, presented to the Finance and Audit Committee on 8 November 2023.

The Chair praised the inclusion of the standardised business case format and endorsed the training given during the Member Induction; the Chair implored Members to attend all Finance training available to them.

Resolved that Members approved and supported the recommendations and associated senior management response prepared as an addendum to the Annual Governance Statement for the 2019-20 financial year.

Close of meeting

The meeting ended at 19:58pm.