

Finance & Audit Committee

Tuesday, 05 March 2024

19:30pm

Present:

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

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

Sarah Parfitt	Director (Corporate Services)
Pat Knight	Interim Assistant Director (Corporate Services)
James Larkin	Head of Internal Audit & Counter Fraud
Andrew Barnett	Principal Accountant (General Fund)
Paul Dossett	External Auditor, Grant Thornton
Ben Clarke	Committee Services Officer (Minutes)

56. Apologies for absence

An apology for absence was received from Cllr Dakota Dibben and Cllr Samir Jassal (Cllr Helen Ashenden and Cllr David Beattie substituted)

57. To sign the minutes of the previous meeting.

The Chair advised that since the last meeting the Councils 2019/20 accounts had been signed off and published.

The Chair requested an update on the two audit actions that were outstanding for longer than six months at last month's Committee meeting.

The Head of Internal Audit & Counter Fraud advised that the lead officer was not in attendance tonight as one of the outstanding actions had been completed and the other action was in motion; for that action to be completed it required updates to be made to the Constitution.

The minutes of the meeting on Monday, 12 February 2024 were signed by the Chair.

58. Declarations of Interest

There were no declarations of interest.

59. External Audit Update

The Committee were provided with a report that advised them of the progress of the external audit by Grant Thornton of the Council's finances for the 2019/20 financial year. Members were previously advised that the accounts for 2019/20 had been signed off and published.

The External Auditor, Grant Thornton stated that the outstanding Value for Money work up to the financial year 2022/23 was underway and was hoped to be completed in the next couple of months. The remaining item for the Council to complete was to agree a timetable for completing the outstanding financial accounts to meet the backstop deadline; Grant Thornton would agree the timetable with the Finance Team.

Discussions were being held in the background with the Department for Levelling Up, Housing and Communities (DLUHC), other audit firms and the Financial Reporting Council (FRC) about the scope and scale of work needed for the backstop to be completed; DLUHC wanted all local authorities to be in the same position and had provisionally set a date of 30 September 2024 for all audits of accounts, up to the 2022/23 financial year, to be completed. Further discussion would be required with the FRC regarding the practicalities of meeting that deadline due to requirements placed on auditors through the current auditing standards.

The External Auditor, Grant Thornton advised that an update should be available for Members at the next Committee meeting.

The External Auditor, Grant Thornton fielded questions from Members and explained that:

- Grant Thornton were confident that they would be able to work with the Council in seeking to meet the September deadline for the backstop; concurrently, work would be underway on the 2023/24 accounts. CIPFA is consulting on changes to the accounting code that had the potential to make the preparation and auditing of accounts a more straight forward process. The changes proposed would possibly come into effect for the 2023/24 accounts but would definitely be in effect for the 2024/25 accounts. One of the challenges to DLUHC's backstop plan was recruitment and retention issues, as there may not be enough auditors to complete the level of accounts required by the deadline
- The changes proposed to auditing code and practice were focused on the Value for Money Conclusion; the current consultation would see Grant Thornton required to issue a Value for Money conclusion annually in November.

The Chair queried when the issues in the action plan, that advised that they would be considered as part of the 2020/21 statement of accounts process, in addition to the difference of view between Grant Thornton and the Council over the interpretation of the accounting treatment for the St Georges Centre, would be resolved.

The Director (Corporate Services) explained that the action plan related to the 2019/20 accounts. The Finance Team would work through the actions list and conclude if the view taken in the 2019/20 accounts remained the same for the 2020/21 accounts or if changes were required.

The External Auditor, Grant Thornton advised that the difference of view regarding the valuation of the St Georges Centre transaction would not be an issue in 2024/25 as it only carried through to the 2023/24 financial year. It was the External Auditor, Grant Thornton's, opinion that the matter may not be so significant for the financial years 2020/21 to 2022/23

as the accounts would be backstopped. The Council needed to produce the accounts for those years up to 2022/23 which would then be backstopped; Grant Thornton may reference earlier accounts in future reporting. The External Auditor, Grant Thornton added that the accuracy of opening balances for 2023/24 remained an issue for all local authorities.

60. Review of Accounting Policies 2023- 24

The Committees endorsement was sought of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2023-24.

The Principal Accountant (General Fund) explained that the Code for 2023-24 had been published and a review of the Council's accounting policies had been conducted to ensure that those were in line with the requirements of The Code.

The Principal Accountant (General Fund) further added that as at the time of writing the report, there were no major changes to The Code that had been identified that would influence the council's accounting policies for 2023-24.

Members were advised that, although the audit of the 2019/20 Statement of Accounts was closed, the Statements of Accounts for 2020/21, 2021/22 and 2022/23 remained outstanding but were now being progressed as the council was now in a position of having audited opening balances upon which to commence those processes. Any required amendments to the accounting policies as a result of the 2019/20 audit process would be considered for each year.

Members were assured that any changes that were made to the accounting policies would be reported back to the Committee.

Resolved that Members agreed to endorse the use of the Accounting Policies as outlined at Appendix One to the report, subject to comments from the Council's external auditor.

61. Consultation - Addressing the local audit backlog in England

The Committee was provided with a report that gave them an overview of the Department for Levelling Up, Housing and Communities (DLUHC) consultation on proposals to clear the backlog of local audits in England.

The Interim Assistant Director (Corporate Services) stated that the Council's draft response to the consultation were considered by Management Team today and the consultation period ended on 7th March. To put Gravesham's position into perspective, the Council were not alone in having audit backlog issues and as at end of December 2023, there were 771 audits outstanding in England.

There were a total of fifteen questions within the consultation with three phases proposed; further detail on the questions within those phases was available in the document attached at appendix one.

The Interim Assistant Director (Corporate Services) advised that there were other consultations released such as the one from the National Audit Office however the Council would not be responding as that was targeted towards external auditors. The Council would consider submitting a response to the consultation released by CIPFA.

The Director (Corporate Services) advised that the issue of a national shortage of auditors had been raised in the consultation response as well as how the council's own resources could be balanced considering the financial challenges that the Council and others around the Country similarly faced. Those additional financial challenges from other areas could impact the deadline for completion of auditing back logged accounts; the Director (Corporate Services) was confident that the 2020/21 and 2021/22 accounts could be completed by the deadline but advised it would be challenging to prepare and audit the 2022/23 accounts.

The External Auditor, Grant Thornton further added that DLUHC had published a list of the latest nineteen local authorities that had been offered support to manage financial pressures through the Exceptional Financial Support framework. which demonstrated the scale of the challenge that local authorities faced. Grant Thornton had advised that if substantial work was required, both from Councils and auditors, to complete each backlogged audit then it would affect the audits being completed by the deadline proposed by DLUHC. Grant Thornton had made it clear in its response to the consultation that the audits that were backlogged needed to be completed swiftly and in a more straight forward manner in order to meet the deadline.

The Committee noted the report.

62. Corporate Risk

The Committee was provided with a report that specified the outcome of the annual risk identification and analysis exercise, the purpose of which was to assist in the development of Gravesham Borough Council's Corporate Risk Register for 2024-2025.

The Interim Assistant Director (Corporate Services) directed Members to appendix one which held the Risk Management Strategy 2023-24. The Strategy was reviewed annually and there were no updates or amendments proposed, therefore the Strategy was not presented for approval and for information only.

During development of the draft copy of the 2024-2025 Corporate Risk Register, Management Team, Senior Officers and Members were contacted and requested to identify and evaluate new risks and analyse existing risks currently recorded in the 2023-2024 Corporate Risk Register. The Interim Assistant Director (Corporate Services) directed Members to paragraph 3.2 of the report which held a summary of the Council's eight identified risks. Further information on the eight identified risks could be found in appendix two to the report.

The Interim Assistant Director (Corporate Services) advised that Risk 8 'STG Building Control Partnership – Licencing of Surveyors' was new; it was decided that the risk should be added to the register due to the increasing lack of qualified building surveyors that were available to the STG Partnership.

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

- The Corporate Risk Register was a working document that was always changing; as such, a regular report was taken to Management Team and Finance Committee on a six monthly basis to be collectively reviewed, monitored, and updated by senior officers and Members

- Currently, all use of Artificial Intelligence (AI) including all AI tools in the workplace was prohibited by the Council. However, it was recognised that there were positive uses for AI tools and those positive uses were being assessed in terms of understanding risk vs benefits. A policy and an accompany procedure, drafted by IT Services and the Digital Team, would be completed within the next couple of months. The policy would be taken through the Performance & Administration Cabinet Committee where Members would have an opportunity to review it and feed in their comments

The Chair directed officers' attention to Risks 1 and 5 and asked that the wording be added to include reference to the fact that the Council had a robust business case template in place which helped to mitigate the level of risk for both. The Interim Assistant Director (Corporate Services) agreed to review the wording.

Resolved that Members approved the draft Corporate Risk Register, prior to it being presented at Cabinet for approval.

63. CIPFA FM Code

The Committee was provided with an overview of the Chartered Institute of Public Finance Accountants (CIPFA) Financial Management Code 2019, along with an annual self-assessment that was undertaken in January 2024 to identify compliance and areas for further consideration.

The Interim Assistant Director (Corporate Services) explained that the Financial Management Code (FM Code) was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code consisted of 17 financial management standards grouped into six categories which was outlined at 2.1 of the report. The self-assessment conducted during January 2024 concluded that there were no significant improvements to be made.

The Interim Assistant Director (Corporate Services) explained that the code and the Council's approach to the Code had been discussed with the Section 151 Officer. Additionally, the report had been considered by the Council's Management Team and had received their comments and endorsement.

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

- As it was self-assessment, there were controls in place to ensure it was considered by various groups which was why it was it had been reviewed by the Section 151 officer, Management Team and now Members of the Committee
- The self-assessment was brought to the Committee to add another layer of challenge and assurance; Members had the opportunity at the Committee to challenge what had been presented and cross reference the findings to other information that was readily available to them. If a Member was uncomfortable with any of the outcomes, they had the opportunity to discuss it and add in their comments for consideration
- Achieving a green RAG rating in all areas was very positive however it was essential that the Council maintained that rating and explored opportunities to improve further; the previously mentioned business case was something that was identified as a need through the audit process and discussed at Finance & Audit Committee; the business

case template helped to further strengthen the Council's financial management and governance

Members noted the report.

64. Internal Audit & Counter Fraud Quality Assurance & Improvement Program

The Committee's approval was sought for the Internal Audit Quality Assurance & Improvement Programme (QAIP) for 2024-25.

The Head of Internal Audit & Counter Fraud explained that following the annual review, some minor amendments were made to Section II 'Supervision & Quality Management', to reflect a change in job title, and the addition of a further sub bullet point:

- The Internal Auditor has remained alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest and documented any such concerns within the findings

New Global Internal Audit Standards were released on 9 January 2024 and would be effective from January 2025. Any new requirements for the QAIP would be dealt with as part of the annual review in 2024-25 and incorporated for 2025-26. A copy of the proposed Internal Audit QAIP for 2024-25 was presented at Appendix 2.

Resolved that Members approved the QAIP presented at Appendix 3 for use in 2024-25.

65. Internal Audit Plan 2024-25 (Q1-Q2)

The Committee's approval was sought for Gravesham's Internal Audit Plan (Q1-Q2) 2024-25 which was prepared in line with the requirements of the Standards and was based on a risk assessment of all auditable areas within the council. The six factors were outlined at 2.1 of the report.

The Head of Audit & Counter Fraud advised that although the service plan for the full year based on resources predicted to be available, given that the risk assessment was completed in January, there was a high probability that changes occurring in the year could result in changes to the risk landscape that needed to be addressed. As such the plan being presented for approval was only for the first six months of the financial year.

In July, the resource budget and risk assessment will be reviewed to take account of any changes and updated accordingly. This will then inform the plan for the remainder of the year, which will be presented to the Finance & Audit Committee for approval in September 2024, along with the first progress update.

In response to the Chair's question regarding and the proposed review of homelessness, the Head of Internal Audit & Counter Fraud explained that the review of homelessness conducted previously focused on temporary accommodation. The proposed audit will be looking at the 'front door process' and providing assurance that appropriate controls were in place and working effectively when assessing someone presenting to the Council as homeless.

Resolved that Members approved the Internal Audit Plan (Q1-Q2) 2024-25 for Gravesham

presented at Appendix Two.

66. Counter Fraud Plan 2024-25

The Committees approval was sought for the Counter Fraud Plan for 2024-25.

The plan for 2024-25 had been designed around four keys' areas of activity and detailed the proposed work to be undertaken in the below areas:

- Fraud Awareness and Prevention
- Pro-Active Counter Fraud Activity
- Responsive Investigation Activity
- Other Counter Fraud Activity

The Head of Internal Audit & Counter Fraud advised that the proactive work to be completed during 2024-25 was not listed in the report as it was confidential information, but the team were scoping out several pieces of planned work.

Resolved that Members approved the Counter Fraud Plan 2024-25 presented at Appendix Two.

Close of meeting

The meeting ended at 20:16pm.