

## Finance and Audit Committee

Tuesday, 17 September 2024

7.30pm

### Present:

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

Councillors: Helen Ashenden  
Derek Ashenden  
Lee Croxton  
Aaron Elliot  
Jo Hart  
Alan Metcalf  
Jenny Wallace

Sarah Parfitt	Director (Corporate Services)
Pat Knight	Assistant Director (Corporate Services)
Alex Jarvis	Principal Accountant (Housing and Exchequer)
Andrew Barnett	Principal Accountant (General Fund)
James Larkin	Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive)
Jasmine Kemp	Grant Thornton, Public Sector Audit Manager
Chloe Taylor	Committee Services Officer (Minutes)

### 17. Apologies for absence

An apology for absence was received from Cllr Samir Jassal. Cllr Alan Metcalf substituted respectively.

### 18. Minutes

The minutes of the Finance and Audit Committee held on Tuesday, 16 July 2024 were agreed and signed by the Chair.

### 19. Declarations of Interest

No declarations of interest were made.

### 20. Action to tackle the Local Audit Backlog in England

The Assistant Director (Corporate Services) presented members of the committee with a report that provided an update on the Government's planned action to tackle the Local Audit Backlog in England. Members were advised of the intended approach expected to be taken in respect of the backstop. The following key points were raised:

- As previously advised to the committee in February 2024, the then government consulted on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. Progress for developing this roadmap to clearing the backlog was paused due to the general election.

- Despite the pause, the council worked to draft two statements of accounts that were outstanding due to the prolonged process to finalise technical accounting issues relating to the 2019/20 accounts.
- The 2020-21 draft accounts were published on Thursday 18 April 2024 and the 2021-22 draft accounts were published on Wednesday 21 August 2024.
- Work had commenced on the 2022-23 accounts and officers have continued to liaise with the external auditors on the account processes for the 2023-24 accounts.
- On Tuesday 30 July 2024, the new Minister of State for Housing Communities and Local Governments wrote to all councils stating his intentions to tackle the local backlog for the past, current and future years – the letter was included within the agenda pack at page 19.
- Due to time constraints, auditors were likely to issue disclaimed audit opinions on many accounts as they will not have sufficient time to gain the assurance necessary to give an audit opinion.
- The Minister recognised that councils should not be judged unfairly.
- Auditors were expected to clearly set out the reasons for disclaimed opinions to mitigate any potential reputational risks.
- The Accounts and Audit (Amendment) regulations 2024 were laid before parliament on Monday 9 September 2024 which confirmed the backstop dates. The regulations were due to come into force at the end of September 2024.
- Grant Thornton had confirmed the approach they were going to take in respect of the backstop and how it would affect the council.
- The initial backstop date will be Friday 13 December 2024 for all years up to 2022-23. An extraordinary meeting of the Finance and Audit Committee was scheduled for Tuesday 10 December 2024.
- The backstop date for 2023-24 was originally proposed at the end of the May 2025, however, was brought forward to 28 February 2025. The original plan was for the council to publish the draft accounts in February 2025, with the external auditors looking to complete their work by April 2025. Regrettably, it was now expected that the council would be unable to publish the accounts in time for the external auditor to complete their audit by Friday 28 February 2025.
- The backstop date for 2024-25 will be Friday 27 February 2026, and the council will be required to publish draft unaudited statements by Monday 30 June 2025.

Following questions and comments from members, the Assistant Director (Corporate Services) explained the following:

- Disclaimers meant that the auditors had not had sufficient time to make an opinion on the accounts themselves.
- There were roughly 600 sets of accounts that were outstanding across local councils – This issue was not unique to Gravesham Borough Council (GBC).

The committee noted the report.

## **21. Audit Progress Report and Sector Updates - September 2024**

The Public Sector Audit Manager (Grant Thronton) provided members with an update on the progress on the work of external audit. The report drew members attention to emerging national issues and developments that may be relevant. The following key points were raised:

- There had been no change in Grant Thorntons intentions with the 2021-23 accounts since what was reported at the last committee meeting.
- At the Finance and Audit Committee meeting on Tuesday 10 December 2024, Grant Thornton would go through the disclaiming on those accounts.
- For the 2023-24 accounts, they had originally had the intention of performing a full audit on that period, but as the backstop date had been brought forward to February 2025, there was not sufficient time for that detailed audit.
- Grant Thornton wanted to provide assurances to the Finance and Audit Committee and to members of the public, specifically in response to some of the risks identified within their audit plan – whilst they will not be performing a full audit it has been agreed with officers to look at the risk assessment and the implementation of design controls and processes by the council to provide the auditors annual report on the value for money arrangements for the authority. This would include specifically looking at The Charter transactions, the new group accounts, and the Aviva transaction that occurred in 2023-24.
- Page 42 included a roadmap of where Grant Thornton wanted to be and for building reassurances in future years.

Following questions and comments from members, the Public Sector Audit Manager (Grant Thornton) explained that:

- Grant Thornton was yet to receive clarity from their regulators, the National Code and the National Audit Office as to the levels of assurance and the actions needed to assess and provide assurance of the opening balances. It was expected that there would be a statutory override where they can place reliance on those balances, but the future cumulative impacts become a challenge –this will be a decision for the government and the regulator.
- An override refers to an override of the standard statutory principles to which the authority's required to operate. It was a way for the government to draw a line to help local authorities and audit firms catch up with outstanding accounts. This would be a temporary measure and not a change in legislation.

The committee noted the report.

## **22. Finance and Audit Committee - Annual Report**

The Chair of the Finance and Audit Committee, Cllr Gavin Larkins, provided the committee with a report that provided information on the work of the Finance and Audit Committee during the year 2023/24. Members were asked to endorse the annual report and agree that it be presented at the next full council meeting.

Members of the committee extended their thanks to the officers for their hard work and their guidance.

**Resolved** that the committee endorsed the annual report as presented at appendix one.

**Resolved** that the committee agreed for the annual report to be presented at the next full council meeting.

### **23. General Fund Budget Monitoring Report 2024/25 - Quarter One**

The Principal Accountant (General Fund) provided the committee with information on the actual performance against the approved revenue and capital budgets for 2024/25, including the projected variances agreed or identified through budgetary control activity. The report provided members with 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.

- The Principal Accountant (General Fund) walked members through the executive summary detailed on page 70 of the agenda pack.
- Section 3.5.3 – The £300k inter authority agreement between Kent County Council (KCC) and GBC had come to an end after KCC made the decision not to renew the agreement. This was an income stream the council had for around a decade that included sharing the benefits that derived from reducing the waste stream going into disposal.
- The council were considering their position on this, but for financial prudence, the council has recognised in the MTFP that the income has been lost and could not be relied upon going forward. If there was a change in position, then the MTFP would be updated.
- Thanks were given to the housing team and the finance team for the work on the budget saving initiatives.
- Section 3.5 refers to the optimisation of the councils' assets and using them in the best possible way. This involves reviewing the asset base to ensure it's fit for purpose and generating the best returns. For example, the land recently acquired at Hazell's Farm that will be used for biodiversity net gain and will generate a revenue for the council.
- The indicators at the bottom of page 85 look at revenue streams and the level of council tax and business rates and takes into account the cost of the debt the council had at that point. The budget assumes the level of debt being taken during the course of the year, but at the end of the quarter one, a certain amount of debt has not been taken on at that point so the ratio of financing costs to net revenue stream is less than what was expected when the budget was set.

The committee noted the report.

### **24. Housing Revenue Account Budget Monitoring Report - Quarter One 2024/25**

The Principal Accountant (Housing and Exchequer) presented the committee with a report that updated members on the actual performance against the approved revenue and capital budgets for 2024/25, including known variances agreed or identified through budgetary control activity. It also updated the committee on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, HRA Business Plan or Financial Statements.

- The Principal Accountant (Housing and Exchequer) walked members through the executive summary detailed on page 92 of the agenda pack.
- There was an element within the capital programme for re-roofing that will be done following a program of works.

- Within the staff structure, there will be a number of officers employed to undertake repairs whose salaries were charged within supervision management and repairs and maintenance. Where posts have been vacant due to recruitment challenges, a contractor will be employed to undertake the works due to the level of demand for works and the obligations on the council as a social landlord. The cost for the contractor sits within a different budget line.
- It was the ambition of the housing department to reduce the use of contractors and employ staff. They had created an additional post within the structure, but there was difficulty recruiting staff due to the current employment market.
- The Principal Accountant (Housing and Exchequer) advised she would seek the specifics relating to the materiality and the insurances that may cover costs at Galley Hill.

The committee noted the report.

## **25. Internal Audit Update Report**

The Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive) provided the committee with an update on the work, output and performance of the Internal Audit Team for the period 1 April 2024 – 31 July 2024. The following key points were raised:

- Full details of the reviews from 2023-24 that had been finalised since the last report to the Committee, and progress against the 2024-25 plan, were detailed in the tables at section 5, starting on page 116.
- Progress against the agreed plan was limited with only 5% delivered and a further 9% underway as of 31 July, which was reflective of the resource impacts that have been experienced.
- IA9a, which related to the proportion of agreed assurance assignments delivered was now 14%.
- IA9b, which related to the proportion of agreed assurance assignments underway was now 5%.
- There were two actions more than six months overdue at the end of July, however, one had since been completed.

The committee noted the report.

## **26. Counter Fraud Update Report**

The Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive) presented the committee with an update on the work, output and performance of the counter fraud team for the period 1 April 2024 – 31 July 2024. The following key points were raised:

- For Fraud Awareness & prevention training, sessions were available for staff on a monthly basis but only one had gone ahead due to lack of sign up for the other sessions. There had however been service specific training within Housing.
- In terms of pro-active Counter Fraud activity, the NFI exercises remained up to date, with the data submissions for the next exercise happening in October 2024.
- Approximately 91 investigations were concluded in the reporting period with associated cashable savings of £99,281.

The committee noted the report.

## 27. Internal Audit Plan (Q3-Q4) 2024-25

The Head of Audit & Counter Fraud Shared Service (Chief Audit Executive) presented the Internal Audit Plan (Q3-Q4) 2024-25 for approval. The following key points were raised:

- The risk assessment was refreshed in July, along with updates to the level of resource expected to be available.
- Overall, the number of reviews predicted to be undertaken during the year had remained unchanged, with resource losses addressed through the removal of allowances for other work to ensure there was a focus on assurance activity, and the plan itself continued to be focused on the highest areas of risk to provide the necessary assurance to the council.

**Resolved** that the committee approved the internal audit plan (Q3-Q4) 2024-25 for Gravesham as presented at appendix 2.

## 28. Local Government & Social Care Ombudsman Annual Review Letter 2023-24

The Assistant Director (Corporate Services) presented the committee with a copy of the Local Government & Social Care Ombudsman's Annual Review Letter, and raised the following key points:

- Members were advised that there was a typo on page 148, which read 31 March 2023, but should have said 31 March 2024.
- The ombudsman received a total of 12 complaints: 5 in relation to housing, 3 in relation to planning, 2 for environmental services and 2 for benefits and council tax.
- 11 of the 12 complaints were decided within the same year and the outstanding complaint will be included within their report for the current financial year.
- 5 of the 11 complaints were put back to the council to be dealt with through the council's own complaints procedure. Another 5 were closed due to there being no reason for the ombudsman to investigate i.e. they related to services outside of their jurisdiction or they were older than 12 months.
- 1 complaint was investigated and related to how the council dealt with anti-social behaviour – appendix three details the actions taken by the council to put matters right and to ensure this did not happen again.
- As a result of only one complaint being investigated and upheld, the ombudsman published a 100% upheld rate. It was noted that if another authority had more complaints, but some were not upheld, they could end up with a lower percentage. However, the council has the equivalent of 0.9 cases of upheld decisions per 100,000 residents as opposed to the national average of 1.2

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

- They would seek to clarify the number of complaints received across the country and feed this back to the committee. Since the Meeting it has been identified that the last Local Government and Social Care Ombudsman report was in December 2023 for the period April 2022 – March 2023. They dealt with 16,963 cases. Of the 4,301

complaints in which it carried out a detailed investigation, the Ombudsman upheld 74% (3,203 in number).

- They could consider an indicator for an acceptable standard for upheld decisions per 100,000 residents. However, there was already a performance indicator around corporate complaints that sat within the Leader's portfolio and would have been included within the Cabinet papers.
- There was no process cost to the council when complaints were referred to the ombudsman.

The committee noted the report.

### **Close of meeting**

The meeting ended at 8.21pm