



Governance, Audit, Risk Management & Standards Committee

2022/23

Annual Report

Chair's Foreword

I am pleased to present the to Full Council the Governance, Audit, Risk Management and Standards Committee Annual Report for 2022/23.

This is an annual report of the Committee presented to the full Council and as such a detailed explanation of the role of the Committee has been omitted but can be found in the Committee's Terms of Reference. The report shows that the GARMS Committee has undertaken its role effectively during 2022/23; covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council. The Committee considered and reviewed a number of policy areas throughout the past year and this can be seen within the summary of the programme of works below.

The Committee has ensured that best practice has been followed throughout our workings and where issues need to be raised, they have been discussed at length at Committee meetings and the right level of scrutiny and challenge has occurred.

As the Chair of the Committee I would like to express my thanks to the Committee members for their contributions this year in carrying out the vital and important responsibilities the Committee oversees. I would also like to express my appreciation to the Council officers for their robust work throughout the year along with our external auditors.

Cllr. Kanti Rabadia

Chairman - Governance, Audit, Risk Management & Standards Committee

Introduction

1. The purpose of the Governance, Audit, Risk Management and Standards (GARMS) committee is to provide independent assurance to members of the adequacy of the London Borough of Harrow's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.

Terms of Reference and Membership

2. The Committee's Terms of Reference requires the Committee:
 - To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- To report to full Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
 - To publish an annual report on the work of the committee.
 - The Terms of Reference were reviewed in August 2022
3. The membership of the Committee for 2022/23 consisted of the following:
- Councillor Kanti Rabadia (Chair)
 - Councillor Ghazanfar Ali
 - Councillor Philip Benjamin
 - Councillor Kuha Kumaran
 - Councillor Varsha Parmar
 - Councillor Yogesh Teli
 - Councillor Antonio Weiss (Vice-Chair)
4. The Committees membership rules, compiled during 2022/23, state that:
- An Elected Mayor, the Leader or members of the Executive are excluded;
 - The Chair of the Committee must not be a Member of the Executive;
5. The Committee usually meets five times a year (April, July, September, November/December and January) however during 2022/23 the April meeting was cancelled and the July meeting was deferred until August.

The Committee's Programme of Work

6. The Committee has a broad remit that includes:
- Governance
 - Risk Management
 - Internal Audit
 - Countering Fraud and Corruption
 - External Audit
 - Financial reporting
 - Treasury Management
 - Health & Safety
 - Standards
7. The following sections provide details on each area and the Terms of Reference specifies the Committee's powers and duties within each area of responsibility. This was last reviewed by the Committee in August 2022.

Governance

8. The Committee received a report on the 2021/22 Annual Governance Statement that included an Evidence Table detailing the assurances obtained to support the statement. This included assurances from the Council's Legal and Finance teams,

assurance on arrangements to secure VFM, assurance on how the Council's framework of assurance addresses the risks and priorities of the Council and assurances on arrangements for the Council's significant partnerships.

9. The Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control and the rationale behind it was reported to the committee at the same meeting as part of the Internal Audit Year-end report and was also included in the Annual Governance Statement. The opinion stated that:

'The adequacy and effectiveness of the organisation's control environment for the 2021/22 financial year has been assessed as "Good with some significant improvements required in a few areas.'

10. The statement itself detailed progress on the significant gaps identified as part of the 2020/21 Annual Governance Statement.
11. The Committee considered one additional governance report during the year covering Complaints.

Risk Management

12. During 2022/23 the committee received three reports on risk management covering Quarters 1, 2 and 3 respectively. These reports enabled the Committee to monitor progress of risk related issues facing the Council.
13. During Quarter 4 the opportunity was taken to review and potentially streamline the format and detail contained in the Corporate Risk Register, which had become unwieldy throughout the year, with the aim of publishing it as a public document in the future.
14. Consideration was also given in Quarter 4 to whether there are risks on the register which could be transferred and/or de-escalated to directorate risk registers for on-going management and monitoring. It is intended that those risks that remain or are captured on the corporate risk register, are the critical but few risks, which are significant, live and active barriers to the achievement of the Council's new vision of Restoring Pride in Harrow and to the new and changing strategic direction it is embarking upon. In this way information overload on risk management can be avoided. Work in this area will continue in 2023/24.

Internal Audit

12. The Internal Audit Charter is presented and approved annually. In 2022/23 the Charter was presented for approval to the August meeting along with the draft Internal Audit Annual Plan for 2022/23.

13. The Committee also received the year-end report covering output and performance of the Internal Audit Service for 2021/22 and a report on the internal audit planning process.
14. During the year the committee considered 1 red internal audit report as well as 1 follow-up of a red assurance report from the 2021/22 internal audit plan. Managers from the relevant services attended the GARMS Committee meetings for these items to answer Members questions and provide assurance on action being taken to address audit recommendations.
15. The draft Annual Governance Statement 2021/22 that included a report on the effectiveness of internal audit was provided to the committee for information in August 2022 (as above).
16. The Head of Internal Audit was provided with free and unfettered access to the GARMS Committee Chair during 2022/23.
17. During 2022/23 there were no new proposals made in relation to the appointment of external providers of internal audit services and no external providers were used during the year.
18. Members raised a number of queries with regard to work on the plan taking into account the Corporate Risk Register, risk assessment of reviews on the plan, carry forward of reviews, and the Annual Governance Statement.

Countering Fraud and Corruption

19. During 2022/23 the Committee received reports on the corporate anti-fraud plan for approval and the year-end report covering the output and performance of the Corporate Anti-Fraud Team for 2021/22.
20. During the year Members raised several queries including the following:-
 - having a performance indicator for the Corporate Anti-Fraud and Corruption Strategy,
 - the overall recoverable fraud losses attributable to business rates/council tax,
 - the number of fraud referrals,
 - the tenancy recovery value and the authorities' fraud loss formula how the amount of resource available to the team relates to the collection rate.

External Audit

21. The external auditors (Mazars) presented reports on the 2020/21 Statement of Accounts and the Harrow Pension Fund in August 2022 along with a report on the 2021/22 External Audit Plans (Audit Strategy Memorandums).
22. The external auditor's assessment of their independence was included in Mazar's Audit Strategy Memorandum 2019/20 presented to the committee in January 2020.
23. Throughout the year the committee received updates from Mazars about the progress of the 2021/22 audit. The timeline for approving the accounts was affected by delays resulting from the requirement for further evidence to support the valuation of property, plant and equipment and investment property. It was reported there was a national issue in relation to accounting for infrastructure assets which impacted every local authority with material infrastructure balances.
24. The committee were advised that a new national issue arose in relation to the Council's reporting of its assets and liabilities associated to its membership of the Harrow Pension Fund and this will further impact upon the timing of the completion of the audit.
25. Members queried the delays being experienced in completing the audit of the accounts; VFM; valuations of properties; and whether any penalties would be incurred for missing the statutory deadlines.
26. At each meeting attended by Mazars during the year Members of the committee voiced their concerns about the delays in finalising the 2021/22 accounts.

Financial Reporting

27. In addition to the queries noted in paragraphs 23 and 24 above Members questioned the valuation of pension fund investments, migration from SAP to D365 and the materiality figure used when auditing the statement of accounts.

Treasury Management

28. The committee considered two reports on Treasury Management during the year, the 2022/23 outturn report in September and the 2022/23 mid-year report in January 2023.
29. Members asked a number of questions in relation to the various tables set out in the appendices to the reports. They enquired about the increase in investments, borrowing arrangements including fixed rates, the borrowing authorised limit and the repayment of borrowing.

Health & Safety

30. During the year the committee received the Annual Health & Safety report summarising the Council's health and safety performance for 2021/22 and providing an update of activities together with statistics on training, audits and accidents, including schools.
31. Members raised queries about engagement between Occupational Health and Health & Safety on aspects that affect life/work balance, Local Authority corporate responsibility, asbestos surveys, and staff access to the corporate system.

Complaints

32. As mentioned in paragraph 11 under governance a report covering complaints was presented in January 2023. This was the first report to the Committee pulling together themes surrounding complaints.

Conclusion

33. The Committee has successfully fulfilled its purpose/roles and responsibilities as outlined in its Terms of Reference.

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE

TERMS OF REFERENCE

1. Statement of purpose

- 1.1 The Governance, Audit, Risk Management and Standards Committee is a key component of Harrow Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the committee is to provide independent assurance to the members of the adequacy of Harrow Council's governance, risk management and control frameworks and to oversee the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.
- 1.3 The Governance, Audit, Risk Management and Standards Committee has the following powers and duties:

2. Governance

- 2.1 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 2.2 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances and legal and financial advice, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 2.3 To monitor the progress of agreed actions to close significant governance gaps.
- 2.4 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 2.5 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 2.6 To review the governance and assurance arrangements for significant partnerships.

3. Risk Management

- 3.1 To review the Council's risk management strategy.
- 3.2 To monitor the effective development and operation of risk management in the council via the review of the Council's Corporate Risk Register on a regular basis.
- 3.3 To monitor progress in addressing risk-related issues reported to the committee.

4. Countering Fraud and Corruption

- 4.1 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 4.2 To monitor the counter-fraud strategy, actions and resources and the Council's approach to tackling fraud and corruption and promote an anti-fraud culture.
- 4.3 To review and approve the annual Corporate Anti-Fraud Team Plan.
- 4.4 To consider reports from the Head of Internal Audit/ Corporate Anti-Fraud Manager on the Corporate Anti-Fraud Team's performance at mid-year and at year-end.

5. Internal audit

- 5.1 To approve the internal audit charter and support the independence of Internal Audit.
- 5.2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.3 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 5.4 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 5.5 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 5.6 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit.
- 5.7 To approve and periodically review safeguards to limit such impairments.

- 5.8 To consider reports from the Head of Internal Audit on internal audit's performance at mid-year and year-end, including the performance of external providers of internal audit services.¹
- 5.9 To consider Red and Red/Amber assurance reports and summaries of specific internal audit reports as requested.
- 5.10 To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 5.11 To consider the report on the effectiveness of internal audit contained within the AGS.
- 5.12 To provide free and unfettered access to the GARMS Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.

6. External audit

- 6.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 6.2 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 6.3 To consider specific reports as agreed with the external auditor.
- 6.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 6.5 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 6.6 To scrutinise/comment on the External Audit plan and fees.
- 6.7 To monitor progress against the External Audit plan and receive summaries of audit work completed and key recommendations.

¹ These will include:

- a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
- b) annual report on the results of the internal audit Quality Assurance Improvement Programme (QAIP)
- c) statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and reports on instances where the internal audit function does not conform to the PSIAS, considering whether the non-conformance is significant enough that it must be included in the AGS.
- d) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- e) the level of management response to internal audit recommendations and progress on implementation of recommendations and to recommend action where internal audit recommendations are not being implemented.
- f) the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

6.8 To review the management response to external audit recommendations and progress on implementation of recommendations.

6.9 To recommend action where external audit recommendations are not being implemented.

7. Financial reporting

7.1 To review the annual statement of accounts prior to approval and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Specifically to:

- review the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- review whether the narrative report is readable and understandable by a lay person
- review the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitor trends and review for consistency with what is known about financial performance over the course of the year
- review the suitability of accounting policies and treatments
- seek explanations for changes in accounting policies and treatments
- review major judgemental areas, eg provisions or reserves
- seek assurances that preparations are in place to facilitate the external audit.

7.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

8. Treasury Management

8.1 To review the Treasury Management strategy and monitor progress on treasury management in accordance with CIPFA codes of practice.

9. Health & Safety

9.1 To review the Council's Health and Safety arrangements and oversee progress on Health and Safety.

10. Accountability arrangements

10.1 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

10.2 To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

10.3 To publish an annual report on the work of the committee.

11. Standards

- 11.1 Promoting and maintaining high standards of conduct by Councillors, co-opted members and “church” and parent governor representatives.
- 11.2 Assisting Councillors, co-opted members and “church” and parent governor representatives to observe the Members’ Code of Conduct.
- 11.3 Advising the Council on the adoption or revision of the Members’ Code of Conduct.
- 11.4 Monitoring the operation of the Members’ Code of Conduct.
- 11.5 Developing and recommending local protocols to the Council to supplement the Members’ Code of Conduct.
- 11.6 Enforcing local protocols and applying sanctions in respect of breaches as appropriate.
- 11.7 Advising, training or arranging to train Councillors, co-opted members and “church” and parent governor representatives on matters relating to the Members’ Code of Conduct.
- 11.8 Granting dispensations to Councillors, co-opted members and “church” and parent governor representatives from requirements relating to interests set out in the Members’ Code of Conduct.
- 11.9 To keep under review and amend, as appropriate, the Protocol on Councillor/Officer Relations.
- 11.10 To keep under review the Officer Code of Conduct and, after consultation with unions representing staff, make recommendations to Council for amendment or addition.
- 11.12 To receive reports and keep a general overview of probity matters arising from ombudsman investigations, Monitoring Officer reports, reports of the Chief Financial Officer and Audit Commission.
- 11.13 To have oversight of the Council’s Whistleblowing Policy.
- 11.14 To agree the policy for decisions on payments to those adversely affected by Council maladministration (under section 92 Local Government Act 2000).
- 11.15 To establish sub-committees and working groups to deal with complaints that a member or a co-opted member has failed to comply with the Council’s Code of Conduct.
- 11.16 To consider any application received from any officer of the Authority for exemption from political restriction under Sections 1 and 2 of the Local Government and Housing Act 1989 in respect of the post held by that officer and may direct the Authority that the post shall not be considered to be a politically restricted post and that the post be removed from the list maintained by the Authority under Section 2(2) of that Act.

11.17 Upon the application of any person or otherwise, consider whether a post should be included in the list maintained by the Authority under Section 2(2) of the 1989 Act, and may direct the Authority to include a post in that list.

11.18 On referral from the Monitoring Officer, to decide whether to take action against a member for breach of the Code of Conduct and if so, to decide what action should be taken.

12. Membership rules:

12.1 An Elected Mayor, the Leader or a member of the Executive may not be Members;

12.2 The Chair of the Committee must not be a Member of the Executive;

12.3 The appointment of co-opted/independent members can be considered;

12.4 The Independent Persons are not members of GARMS and shall be invited to meetings only if there is a Standards item on the agenda.