
REPORT OF GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

MEETING HELD ON 21 SEPTEMBER 2009

Chairman: * Councillor John Cowan

Councillors: * Thaya Idaikkadar * Bill Stephenson
 * Phillip O'Dell (2) * Yogesh Teli (3)
 * Anthony Seymour * Jeremy Zeid
 * Dinesh Solanki

* Denotes Member present
 (2) and (3) Denote category of Reserve Members

PART I - RECOMMENDATIONS - NIL
PART II - MINUTES
120. Attendance by Reserve Members:

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

<u>Ordinary Member</u>	<u>Reserve Member</u>
Councillor Archie Foulds	Councilor Philip O'Dell
Councillor Richard Romain	Councillor Yogesh Teli

121. Declarations of Interest:

RESOLVED: To note that there were no declarations of interests made.

122. Minutes:

RESOLVED: To defer approval of the minutes of the meeting held on 8 September 2009 until the next ordinary meeting.

123. Public Questions, Petitions, Deputations:

RESOLVED: To note that no public questions, or petitions and deputations were received at the meeting under the provisions of Committee Procedure rules 19,16 and 17 (Part 4B of the Constitution) respectively.

124. References from Council and other Committees/Panels:

RESOLVED: To note that no references were received.

125. Statement of Accounts 2008/09:

In accordance with the Local Government (Access to Information) Act 1985, the Committee received Appendix 2 (ISA260 Report of the Auditor) to the report of the Corporate Director of Corporate Finance on the Statement of Accounts which was admitted late to the agenda and a tabled audit report on the Pension Fund account. The reports had not been available at the time the agenda was printed and were circulated to ensure that up-to-date reports were presented to the Committee. Appendix 2 summarised the principal matters that had arisen from the audit that had been conducted for the year ended 31 March 2009. The auditors also commented that they were required to issue a separate annual report on the pension fund in order to demonstrate the consistency of the accounts with the Statement of Accounts.

The Committee received a report of the Corporate Director of Finance detailing changes to the Statement of Accounts 2008/09. The Corporate Director of Finance reported that the valuation adjustment of Housing stock on the balance sheet and an unresolved objection of charges to credit cards when paying parking tickets were the two key matters that had been raised by Deloitte LLP, the external auditors. She added that information relating to the parking charges had been forwarded to the external Auditors to follow up. The Corporate Director of Finance further advised that the adjustment in the general balances from £5.3 million to £5.7 million had a positive impact upon the general fund balance.

The Corporate Director of Finance also reported that following the Governance and Audit Risk Management (GARM) meeting on 8 September 2009 the Pension Fund accounts had been circulated to Members of the Pension Fund Investment Panel and Licensing and General Purposes Committee for comments. She confirmed that Members of both Committees had not commented on the Pension fund accounts.

The Corporate Director of Finance expressed her appreciation to Officers within the Corporate Finance Team and external Auditors for their hard work in preparing the Statement of Accounts 2008/09.

The external auditors advised that there had been no significant changes to the statement of accounts since the previous GARM meeting. Whilst endorsing the view reported by the Corporate Director of Finance on the adjustment to the housing stock and the objection to the parking charges, they reported that the Audit process had been smoother than previous years.

Referring to the report, a representative from Deloitte LLP reported that:

- the insurance provision of £5.6 million reported in the statement of accounts for 2008/09 had been overstated by £237,000. this amount had not been adjusted by the Council as it was considered to be materially correct;
- the £442,000 provided in the statement of accounts for the Voluntary Severance Scheme had not been materially misstated. However, for control purposes, they had recommended that the date on which the decision was communicated to employees should be recorded in the employee file to ensure correct accounting treatment.
- following a detailed review of the purchase order accrual account by the Council, the balance included in the Statement of Accounts had been overstated by £232,000. This misstatement had been adjusted. A similar control weakness of £233,000 in respect of the Outstanding Commitments on Framework I for Care Homes had also been identified as an overstatement by the auditors and adjusted by the Council;
- the increase in the Council's bad debt provision for Council tax from £3.83 million in 2008 to £4.72 million in 2009 was to reflect the current economic climate. The bad debt provision for both years was 48% and 70% of the Council Tax debt balance of £8 million in 2008 and £6.74 million in 2009 respectively;
- following the Court of Appeal's decision that the London Authorities' Mutual Limited was ultra vires, the investment of £346,000 and the amount receivable of £900,000 reported in the statement of accounts is likely to be recovered by the Council;
- in addition to the areas highlighted above, the adverse economic climate during the financial year had impacted on the valuation of assets and led to a negative adjustment in the value of Council dwellings totaling £56 million;
- the £1.1 million attributed to the unfunded benefits had been reported twice and was an unadjusted misstatement;
- the key adjustments recommended by the auditors to the statement of accounts had been included in the main report and appendices of the auditors opinion on the statement of accounts in Appendix 2 of the report;
- due to capacity and timing, the annual report on the pension fund was prepared by the end of October 2009. However, the certificate would not be issued until the objection to the parking charges received by Harrow Council was resolved. They added that this situation was identical for other Local Authorities.

The external auditors reported that the three key audit risks identified as part of the overall strategy were that:

- a new Statement of Recommended Practice (SORP) for local authorities had been introduced to reflect a small change in how the valuation of investments were recorded and disclosed. In response Managers of the Pension fund had not adjusted the mid-year valuation of investments that had been made;

- the identification and payment of contributions in the correct year should be reported as a area of specific risk;
- material misstatements, such as the exclusion of total investments from the balance sheet should not occur in future statements of accounts as procedures that identified risk had been implemented.

In response to questions raised by the Committee, the external auditors and the Corporate Director of Finance clarified that:

- following the last meeting, legal advice received in relation to the objection to the parking charges had highlighted some issues that would need to be resolved before the auditors responded;
- the revenue received from credit card charges when a parking ticket had been paid was not material to the statement of accounts. Officers would discuss the possibility of removing the charges and adjusting the final accounts with the auditors;
- any significant changes to the accounts after they had been published would be recorded as a prior-year adjustment in the following statement of accounts;
- the value of all asset funds in the pension fund account had fallen by 25%.

The auditors recommended that managers of the pension fund comply with the guidelines for investment outlined in the Statement of Investment Principles (SIP). They also suggested that in light of proposed legislative provisions and the interest of transparency, the pension fund should have a separate bank account.

RESOLVED: That (1) the changes to the Statement of Accounts be noted;

(2) the report of the external auditors be received;

(3) the Statement of Accounts for 2008/09 be approved.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.10 pm).

(Signed) COUNCILLOR JOHN COWAN
Chairman