

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

29 JUNE 2010

Chairman: * Councillor John Cowan

Councillors: * Mano Dharmarajah * Krishna Suresh (3)
* Thaya Idaikkadar * Yogesh Teli
* Richard Romain * Ben Wealthy (1)

In attendance: Bill Stephenson Minute 9,13
(Councillors)

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

1. Appointment of Reserve

RESOLVED: That the Panel note the appointment of Councillor Anthony Seymour as a Reserve Member of the Governance, Audit and Risk Management Committee for the Municipal Year 2010/2011.

2. Attendance by Reserve Members

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

Ordinary Member

Councillor Nizam Ismail
Councillor Sachin Shah

Reserve Member

Councillor Krishna Suresh
Councillor Ben Wealthy

3. Appointment of Vice-Chairman

RESOLVED: To appoint Councillor Thaya Idaikkadar as Vice-Chairman of the Governance, Audit and Risk Management Committee for the 2010/2011 Municipal Year.

4. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 22 – Revenue and Capital Outturn 2009/10

Councillor John Cowan declared a personal interest in that his grandson received educational support that was paid for by Harrow Council. He would remain in the room whilst the matter was considered and voted upon.

Councillor Yogesh Teli declared a personal interest in that his uncle received support for his disability from the Council. He would remain in the room whilst the matter was considered and voted upon.

Councillor Thaya Idaikkadar declared a personal interest in that the Council provided his mother with support for her disability. He would remain in the room whilst the matter was considered and voted upon.

5. Minutes

RESOLVED: That the minutes of the meeting held on 8 April 2010, be taken as read and signed as a correct record.

6. Public Questions, Petitions and Deputations

RESOLVED: To note that no public questions were put or petitions and deputations were received.

7. References from Council and other Committees/Panels

Comprehensive Area Assessment (CAA) and Audit Fee Letters 2010/11

A reference from the Cabinet meeting on 23 June 2010 was received by the Panel. The reference which referred to the Comprehensive Area Assessment and Audit Fee Letters 2010/11 highlighted Cabinet's concerns about the level of fees charged by the external Auditor. Cabinet noted the work done by the Governance, Audit and Risk Management Committee (GARMC).

The GARMC accordingly noted Cabinet's concern as to the level of fees charged by Auditors and requested that a private meeting with Members of the GARMC and the Council's auditors be arranged to take place in Autumn 2010. In noting the reference, Members suggested that "financial times" in Recommendation 3 should read "financial pressures".

RESOLVED: That the reference be noted.

RESOLVED ITEMS

8. International Financial Reporting Standards (IFRS) update

An officer presented a report that set out an update on the International Financial Reporting Standards (IFRS) plan and the implementation timetable. The Committee noted the work undertaken by officers following the update provided at the previous meeting on 8 April 2010 which included:

- restating the balance sheet for 2008/09 and 2009/10 in order to reflect Private Finance Initiatives (PFI) as required under IFRS;
- work relating to employee benefits, such as, teachers accrued leave, would be completed following receipt of the Chartered Institute of Public Finance and Accounting (CIPFA) guidance. Officers anticipated that this area of work would be completed by the end of July 2010;
- finalising details of the fixed asset policy in order to meet the requirements of IFRS component accounting.

Following a request from a Member of the Committee, the officer advised that the final fixed asset policy would be presented at a future meeting of the GARMC.

RESOLVED: That the update be noted.

9. Statement of Accounts 2009/10

A report of the Corporate Director of Finance that set out the Statement of Accounts 2009/10 was presented to the Committee. In accordance with the Local Government (Access to Information) Act 1985, the Statement of Accounts was admitted late to the agenda as it had not been finalised at the time the agenda was dispatched and circulated. Members received the Statement in order to fully consider and approve the annual accounts and comply with the Accounts and Audit regulations 2003. Officers advised that:

- the accounts were prepared in accordance with the 'Code of Practice on Local Authority Accounting in Great Britain' which outlined the principles and practices of accounting required to 'fairly' present the financial position of a local authority;
- the 2009/10 accounts had been closed subject to amendments by the Auditors;
- the statutory requirement to provide and approve a comprehensive set of accounts by 30 June 2010 would be met subject to the agreement of GARMC;
- officers anticipated that the annual audit of the accounts would be completed during August 2010;

- the GARMC would consider auditors comments on the accounts at the meeting on 1 September 2010 and would be requested to approve the finalised accounts before the audit opinion was issued;
- the general fund, which was used for general operations and activities within each department, had a reported balance carried forward for 2010/11 was £6.294million;
- the balance sheet reflected an increase due to Private Finance Initiatives (PFI) contracts that had been brought on to the balance sheet in relation to special schools and Neighbourhood Resource Centres (NRCs);
- the banding of officers emoluments had been decreased from £10,000 to £5,000. Some employee remuneration bands had experienced an increase or decrease in the number of employees in each band;
- the schedule of Members allowances had been voluntarily disclosed in the statement of accounts. The total amount of allowances payable to Members in the 2009/10 Municipal Year amounted to £813,000;
- the value of the Pension Fund had increased by £127 million. This was a reflection of the improvements in the financial market and a move towards recovering the unrealised losses in the previous financial year.

In response to questions raised by Members, officers reported that:

- the decrease in “Other land and buildings” in the balance sheet was mostly due to an impairment. These properties were valued by internal valuers within the Council;
- the definition of “admitted” and “scheduled” benefits scheme would be included in the final statement of accounts;
- a note to reflect that 50% of the equities fund had been hedged would be added.

RESOLVED: That

- (1) the provisional 2009/10 Statement of Accounts be approved;
- (2) the Corporate Director of Finance be authorised to submit the 2009/10 Statement of Accounts to the external auditor for the annual audit;
- (3) the Chairman, in consultation with the Vice Chairman be given delegated authority to approve late adjustments to the Statement as appropriate;
- (4) the Audit Report on Grant Certifications for 2008/09, received on 29 March 2010, be noted.

10. INFORMATION REPORT - Revenue and Capital Outturn 2009/10

In accordance with the Local Government (Access to Information) Act 1985, this item was admitted late to the agenda to allow Members to be briefed on the Revenue and Capital Outturn report which had been discussed by Cabinet at its meeting on 23 June 2010. This item had not been available at the time the agenda was dispatched and circulated as it had been omitted from the agenda. An officer presented the report previously submitted to Cabinet that set out the Council's revenue and capital outturn position for 2009/10 and advised that:

- the final outturn for the total Council Directorates' budget was £335 million, which resulted in an underspend of £1 million;
- the overall amount remaining to be allocated after contributions to reserves and balances and amounts provisionally set aside as carry-forward to meet future commitments (subject to release on the approval of the Director of Finance) was £1.7m. Of this £1million would be allocated to Children's services in order to help alleviate underlying pressures. The remaining balance would be shared between the Transformation Programme (£0.5m) and the Special Projects Fund (£0.1m), leaving £0.1m to be allocated to general balances;
- the restated general balances as at 31 March 2010 had been reported as £6.294 million;
- the outturn of the Capital Programme reported at Appendix 2 of the report was £95.9 million against an original capital programme of £61 million. A majority of the approved changes were grant funded and related to services within the Children's and Adults and Housing services;
- 60% of the capital programme was grant funded. 34.6% was from borrowing and the remainder was funded from capital receipts and revenue contributions.

Following comments by Members, the officer confirmed that a reader friendly summary of the accounts would be published in a future edition of Harrow People.

RESOLVED: That the report be noted.

11. INFORMATION REPORT - Treasury Management Outturn Report 2009/10

In accordance with the Local Government (Access to Information) Act 1985, this item was admitted late to the agenda to allow Members to be briefed on the Treasury Management Outturn report which had been discussed by Cabinet at its meeting on 23 June 2010. This item had not been available at the time the agenda was dispatched and circulated as it had been omitted from the agenda. The report previously submitted at Cabinet set out a

summary of Treasury Management activities for 2009/10. An officer highlighted that:

- lower borrowing costs taken later in the year than planned and an increase in interest rates obtained had provided for a favourable £2 million variance on the capital financing budget outturn position;
- total in-house investments as at 31 March 2010 were reported as £95 million;
- the average debt portfolio interest rate had reduced. The average rate was just above 4.6%.

In response to questions from Members, the officer reported that:

- the lending list criteria had been approved by Cabinet. The final decision on the list was taken by the Section 151 officer who was also the Corporate Director of Finance;
- upper and lower limits on fixed rate borrowing considered long term borrowing requirements to support the long term capital programme and the capital budget. In order to minimise risk, officers were bound to work between these set boundaries;
- training for Members of the GARMC would include a seminar on Treasury Management. A copy of the strategy would be circulated to GARMC Members before the training exercise.

RESOLVED: That the report be noted.

12. 2010/11 Internal Audit Plan

The Committee received a report of the Corporate Director of Finance that set out the 2010/11 Internal Audit Plan and the 2010/11 Internal Audit Delivery Plan. They were advised that:

- following a discussion on the draft audit plan at the previous GARMC meeting on 8 April 2010, the Chief Executive and Corporate Directors had been consulted and the plan narrowed down to the key risk areas achievable with current available audit resources;
- the delivery plan would be flexible to enable the Internal audit team to respond to emerging risks throughout the year. Members would be advised of these changes accordingly;
- CIPFA guidance required an internal audit risk based plan to be developed. Officers had consulted with stakeholders, the Committee and Corporate Directors in order to meet these requirements;
- the Corporate Anti-Fraud Team (CAFT) became part of the Risk, Audit and Fraud service in 2009. The main focus of the team was on

Housing Benefit Fraud. The team had also met and exceeded many internal targets.

Following the presentation, a Member expressed his concern about the vacancy rate in the Internal Audit team and requested clarification as to whether the vacant posts would remain unfilled. This was duly supported by other Members of the GARMC. In response, an officer advised that a decision on the vacant posts would be taken after an efficiency review had been completed.

RESOLVED: That

- (1) the 2010/11 Internal Audit Plan be approved;
- (2) the response to the efficiency review to be reported at a future Committee meeting.

13. INFORMATION REPORT - Governance Update Report

The Committee received a report that provided an update on governance for the Council in order to meet CIPFA and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) guidance and good practice. An officer reported that:

- responses to the 2009/10 Management Assurance exercise had been received from all directorates and had been included in Management Statements prepared and signed by each Corporate Director;
- the finalised Corporate Statement would be signed off by the Chief Executive. Results of the Management Assurance exercise would be presented to the next GARM Committee;
- the annual governance statement evidence table and supporting evidence that formed part of the annual governance review was near completion. Any gaps in the Council's Governance arrangements would be identified and included in the action plan that would be included in the Annual Governance Statement.

RESOLVED: That the update be noted.

14. Risk, Audit and Fraud Division Activity Update

An officer presented a report that outlined the current work streams of the Risk, Audit and Fraud group of services and requested for the Committee to consider appointing Lead Members to each service area.

The Committee were advised that:

- the Risk, Audit and Fraud division was a collection of risk-based services that provided support to all Council departments and schools.

The service included the emergency planning and the health and safety team;

- the nomination of lead Members to areas within the Risk, Audit and Fraud team would be considered at the training session for Members that would be organised to take place within the next few months;
- the efficiency exercise with Capita was completed. As a result, old insurance claim liabilities that were over ten years had been identified and resulted in the release of £250,000 of liabilities;
- the Corporate Anti-Fraud team had worked alongside the Metropolitan Police and conducted a drive on illegally obtained and fraudulent blue badges. As a result, 10 blue badges had been seized and one person had been arrested.

RESOLVED: That the current work progress be noted.

15. INFORMATION REPORT - Annual Health and Safety Report 2009/10

The Committee received a report of the Corporate Director of Finance that summarised and provided Members with an update on the Council's health and safety performance for the year 1 April 2009 to 31 March 2010. The report also included information on outcome measures, such as training and auditing. An officer reported that the total number of reported employee accidents compared to the previous year had increased from 367 to 476, which was still below the national average. This was seen as a positive step, as employees had been encouraged to report accidents. The majority of accidents to employees within the Children's Services Directorate were caused by minor accidents within the classroom.

In response to questions from Members, the officer confirmed that:

- fire evacuation tests for employees were conducted at least twice a year. The role of fire safety officer had been distributed amongst officers. An external consultant was employed to conduct specialist work for the Council;
- the Health and Safety team were subject to an efficiency review that was near completion. Long term plans for vacancies within the team would be discussed with the relevant Portfolio Holder and Members of the GARMC;
- as part of the staff benefits package, employees had access to a counselling service. The cost of providing the service was just under £30,000 per year for approximately 3,500 employees. Use of the service was monitored on an anonymous basis to assess whether value for money was achieved.

RESOLVED: That the report be noted.

16. INFORMATION REPORT - Internal Audit Year-End Report 2009/10

An officer presented a report that set out the progress against the 2009/10 Internal Audit plan and key issues arising from work undertaken. Members were advised that:

- 97% of the audit plan had been achieved. 98% of recommendations made were agreed for implementation;
- the overall interim audit opinion on the organisation's control environment has been assessed as "good". This was an improvement on the 2008/09 assessment. The opinion would be updated once the Management Assurance exercise for 2009/10 had been completed;
- performance indicators for 2009/10 had been met and exceeded. Due to low response rates on client satisfaction, the process of obtaining feedback would be reviewed in 2010/11. Members raised concerns about this and it was agreed that it was not the best use of audit time. The Members suggested that, subject to CIPFA requirements, the Performance Indicator relating to client feedback should be changed.

RESOLVED: That the report be noted.

17. Any Other Urgent Business

A Member sought clarification on whether officers had prepared a work programme for 2010/11 that included the new responsibilities of GARMC into account. The reason for urgency was that, it was felt that this was particularly significant following ratification of the revised Terms of Reference of the GARMC at the Extraordinary Council meeting on 27 May 2010. It was suggested that officers would prepare a draft programme for Members to discuss and comment on at the next GARMC meeting on 1 September 2010.

RESOLVED: That the update be noted.

18. Exclusion of the Press and Public

RESOLVED: That the press and public be excluded from the meeting for the following items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
19.	INFORMATION REPORT – Internal Audit Year End Report 2009/10 (Appendix B)	Information under paragraph 1 and 7 as it contains information relating to any individual and any action taken or to be taken in connection with the prevention, investigation or prosecution of crime respectively.

20. **INFORMATION REPORT – Green and Amber Internal Audit Reports and Follow Up Reports** Information under paragraph 3 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

19. INFORMATION REPORT - Internal Audit Year-End Report 2009/10

The Committee discussed Appendix B to the Agenda item 16 that outlined the action taken by the Internal Audit team in relation to suspected financial irregularities within different service areas within the Council.

RESOLVED: That Appendix B be noted.

(See Minute 14)

20. INFORMATION REPORT - Green and Amber Internal Audit Reports and Follow Up Reports

The Committee received a report of the Corporate Director of Finance that included green and amber internal audit reports and provided an update on follow up actions taken by the Internal Audit team.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.50 pm).

(Signed) COUNCILLOR JOHN COWAN
Chairman