

# **GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES**

## **19 JANUARY 2011**

**Chairman:** \* Councillor John Cowan

**Councillors:** \* Mano Dharmarajah \* Richard Romain  
\* Thaya Idaikkadar \* Sachin Shah  
\* Nizam Ismail \* Yogesh Teli

**In attendance:** Bill Stephenson  
**(Councillors)**

\* Denotes Member present

### **52. Attendance by Reserve Members**

**RESOLVED:** To note that there were no Reserve Members in attendance at this meeting.

### **53. Declarations of Interest**

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

### **54. Minutes**

**RESOLVED:** That the minutes of the meeting held on 29 November 2010, be taken as read and signed as a correct record.

### **55. Public Questions, Petitions and Deputations**

**RESOLVED:** To note that no public questions were put, or petitions or deputations received at this meeting.

## **56. References from Council and other Committees/Panels**

A reference from the Cabinet meeting on 15 December 2010 on the Half Year 2010/11 Treasury Management Activity Report was received by the Committee.

**RESOLVED:** That the reference be noted.

## **57. Capital Programme - Reference from the Cabinet meeting on 15 December 2010**

The Committee received a reference from the Cabinet meeting on 15 December 2010 on the Capital Programme.

**RESOLVED:** That the reference be noted.

## **RECOMMENDED ITEMS**

## **58. Capital Programme - Report of the Director of Legal and Governance Services**

An officer presented a report that set out how the Council was responding to recommendations in the report on the Capital Programme presented at the Cabinet meeting on 15 December 2010. The officer reported that:

- two investigations had been completed with outcomes relating to project management and financial management. As a result of the investigation, a series of recommendations had been discussed with the Leader of the Council and the Corporate Directors who would be responsible for overseeing their implementation;
- the Cabinet report had also been considered by Deloitte Touche LLP, the Council's external auditors who were responsible for approving the annual accounts;
- Cabinet had requested that the Governance, Audit and Risk Management (GARM) Committee monitor and report on the implementation of the investigation and that the Internal Audit team independently verify the process undertaken;
- a further report would be presented to the GARM Committee meeting on 29 March 2011. Members would have an opportunity to address any shortcomings in implementing the recommendations and how the Council's Governance framework should be developed in the future.

In response Members agreed that the Chairman and Vice-Chairman of the GARM Committee with meet with officers to ensure that all recommendations were implemented. A Member commented that the investigation provided an opportunity to introduce practical systems within the work environment that enhanced performance and positive behaviour.

**RESOLVED:** That

- (1) the report be noted;
- (2) the suggested method of monitoring and reporting the implementation of recommendations in the Cabinet report be agreed;
- (3) a progress report on the implementation of the recommendations and reviewing the Council's governance arrangements would be presented to the GARM meeting on 29 March 2011.

## **RESOLVED ITEMS**

### **59. Half-Year 2010/11 Treasury Management Activity Report**

The Committee received a report on the Half-Year Treasury Management Activity that was also presented at Cabinet meeting on 15 December 2010.

An officer advised that:

- the Treasury Management Strategy was approved by Cabinet on 11 February 2010, to ensure that it complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management;
- finance officers within the Council were tasked with managing the Council's cash flow to ensure that the return on investments were maximised with minimal risk to the Council's assets;
- the report outlined the half-year performance of treasury management activities to 30 September 2010 against indicators within the Prudential Code for Capital Finance. Lower than estimated borrowing costs and additional investment income had contributed to a surplus of £819,000 on the capital financing and investment income budget;
- a draft Treasury Management Strategy would be considered by the GARM Committee Lead Member for Finance before it was submitted to Cabinet on 10 February 2011 and ratified by Council on 17 February 2011.

**RESOLVED:** That the report be noted.

### **60. International Financial Reporting Standards (IFRS) Update**

In officer presented a report that provided an update on the IFRS plan and progress made on the implementation timetable. She added that significant progress for implementing the IFRS plan against the statutory programme had been made.

**RESOLVED:** That the report be noted.

## 61. INFORMATION REPORT - Annual Audit Letter 2009/10

A report on the Annual Audit Letter 2009/10 was presented to the Committee which considered its content. A representative of Deloitte Touche, the Council's external auditors, reported that:

- the Annual Audit letter replicated findings in the statement presented at the GARM Committee meeting on 28 September 2010. Following the investigation into the capital overspend, an unqualified audit opinion on the Council's 2009/10 accounts was issued on 28 October 2010.
- a qualified opinion on the Council's Value for Money (VFM) arrangement in accordance with the Code of Audit Practice had been provided. A weakness in the management, control and monitoring of certain capital projects during the year had led to a specific overspend. Nevertheless, the external auditors were satisfied that robust arrangements in relation to the effective and efficient use of resources in the year ending 31 March 2010 had been made, except for managing its risks and maintaining a sound system of internal control;
- an unqualified audit opinion on the Council's 2009/10 pension scheme annual report had been issued on 30 September 2010, ahead of the statutory deadline of 1 December 2010;
- an unqualified statement of assurance relating to the Council's consolidation return was presented to the National Audit Office on 28 October 2010;
- certification of the 2009/10 accounts had not taken place as an ongoing objection to credit card fees on parking and traffic penalty charges by a local resident was unresolved;
- a separate management letter on the outcome of grant certification had been written. Deloitte Touche LLP, had not identified any specific areas of concern in relation to grant claims and other returns.

In response to questions, the representative and an officer advised that:

- the Chairman of the GARM Committee had delegated authority to counter-sign the Council's financial statements;
- the external auditors were employed to take an objective view of the Council's financial statements. A capital investigation was initiated by the Council in relation to capital expenditure. The external auditors were unable to sign the statement of accounts on 30 September 2010 as the Council's investigation was ongoing. The finance team had kept the external auditors updated on the progress of the investigation;
- whilst completing the audit, the auditors had identified two specific key lines of enquiry (KLOE) relating to financial management and risk management and internal control which may have been affected by the

capital issue. No qualification was required in relation to financial management;

- miscoding may have taken place earlier but had not been picked up in previous years. The external auditors would seek to ensure that the measures introduced internally were effective;
- the financial statements had not been amended since September 2010. Officers had made some amendments to the Annual Governance statement and the auditor had qualified his VFM conclusions;
- recommendations made by the auditors in relation to the pension scheme annual report had been followed up by officers within the finance team. The progress made by the finance team would be revisited when the 2010/11 annual accounts would be audited;
- the 2009/10 annual accounts were signed in October 2010 by the external auditors following completion of the investigation and the recommendation of revised internal measures within the Council.

The Chairman of the Committee noted the positive working relationship between the Council and Deloitte Touche LLP and thanked the external auditors and officers for completing the 2009/10 annual audit.

**RESOLVED:** That the report be noted.

## **62. INFORMATION REPORT - Risk, Audit & Fraud Division Activity Update**

Officers within the Internal Audit Team presented a report that outlined the current work streams and future work of the Risk, Audit and Fraud group of services in Harrow Council. In relation to different teams within the division the Committee noted that:

### Corporate Anti-Fraud Team

Harrow had been identified to receive additional funding to tackle and address housing fraud. The appointment of a new Housing Fraud Investigations Officer at the end of January 2011 would assist the team in managing the increasing number of housing fraud investigations completed by the team.

There had been a rise in the number of people registered on the housing waiting list. This was an increase of 11% between July and September 2010 from the previous quarter.

### Information Management

A policy on Information Management that complied with appropriate legislation would be introduced throughout the Council in the near future. All Directorates would be provided with an Information Risk Plan and data

restrictions that would manage data and minimise the loss of sensitive information.

### Health & Safety

An update report on the investigation in relation to the management of asbestos was provided. Further updates will be provided to the Committee in due course.

### **63. Follow Up Report on Statement of Accounts**

An officer provided a verbal update on the statement of accounts reported at the GARM meeting on 28 September 2010.

**RESOLVED:** That the update be noted.

(Please also see Minute Item 60)

### **64. Vote of Thanks**

As this was the last meeting of the Committee before the Corporate Director of Finance left to begin a new post, the Chairman expressed his appreciation for all her work and the support provided to the GARM Committee by the Finance Team.

In response, the Corporate Director of Finance thanked Members and the officers in attendance at the meeting.

### **65. Exclusion of the Press and Public**

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

<u>Item</u>	<u>Title</u>	<u>Reason</u>
15.	Risk, Audit and Fraud Team Investigation Updates	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

### **66. Risk, Audit and Fraud Team Investigation Updates**

An officer from the Risk, Audit and Fraud team provided a verbal update on the progress of ongoing investigations by the Audit team.

The Committee were advised that:

- the Overview & Scrutiny Committee had reviewed the allocation of grant funding for voluntary organisations. The officer confirmed that a report on the review would be presented to the GARM Committee;
- a report on financial controls of infant schools within the Borough would be presented to the next GARM Committee meeting on 29 March 2011.

**RESOLVED:** That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.10 pm).

(Signed) COUNCILLOR JOHN COWAN  
Chairman