

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

29 MARCH 2011

Chairman: * Councillor John Cowan

Councillors: * Mano Dharmarajah * Richard Romain
* Thaya Idaikkadar * Krishna Suresh (3)
* Nizam Ismail * Yogesh Teli

* Denotes Member present
(3) Denotes category of Reserve Members

67. Attendance by Reserve Members

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

Ordinary Member

Reserve Member

Councillor Sachin Shah

Councillor Krishna Suresh

68. Declarations of Interest

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

69. Minutes

RESOLVED: That the minutes of the meeting held on 19 January 2011 be taken as read and signed as a correct record.

70. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

71. References from Council and other Committees/Panels

- (a) Treasury Management Strategy Statement (MRP) Prudential Indicators & Minimum Revenue Provision Policy & Strategy 2011/12: Reference from the Cabinet meeting on 10 February 2011:

A reference from the Cabinet meeting on 10 February 2011 on the Treasury Management Strategy Statement (MRP) Prudential Indicators & Minimum Revenue Provision Policy & Strategy 2011/12 was received by the Committee. The Committee was invited to review and comment on the effectiveness of the treasury management strategy and related policies.

RESOLVED: That the reference be noted.

- (b) Final Revenue Budget 2011-12 and 2015-16: Reference from the Cabinet meeting on 10 February 2011:

The Committee received a reference from the Cabinet meeting on 10 February 2011 on the Final Revenue Budget 2011-12 and 2015-16.

RESOLVED: That the reference be noted.

72. INFORMATION REPORT - Audit Plan for 2010 -11

The Committee received a report of the Interim Director Finance that provided the opportunity to see the 2010-11 Accounts Opinion Plan and Pension Fund Annual Report Audit Plan.

The external Auditors, Deloitte LLP who were in attendance, reported that:

- the Accounts Opinion Audit Plan provided the Council with clarity on how the external audit of the accounts for 2010-11 would be conducted. It also highlighted the areas of key audit risks that were identified as part of the overall strategy;
- the accounts that were to be audited related to the financial year ended 31 March 2011 and would be prepared in accordance with the International Financial Reporting Standards (IFRS) for the first time;
- following the abolition of the Comprehensive Area Assessment and funding issues facing Local Authorities, the Audit Commission had made changes to the scope of the work performed on the Use of Resources. More focus had been placed on the Council's

arrangements for securing financial resilience and challenging how efficiency and effectiveness were achieved economically;

- six areas of key audit risk for the Council's Accounts Opinion Audit Plan had been identified as part of the planning for the audit to be carried out by Deloitte LLP. The overall audit strategy had identified a number of risks, including, property valuations and presumed risk in relation to revenue recognition and management of controls. External auditors had also noted that derivatives was one of the four key areas of risk in the Pension Fund Annual Report Audit Plan;
- the Value for Money (VFM) conclusion noted a weakness in the management, control and monitoring of capital projects within Children's Services. This weakness had resulted in the external auditors issuing a qualified VFM opinion with the 2009/10 financial statements;
- Deloitte LLP, would be seeking assurances on whether disclosure of risks and uncertainties within the annual report were consistent and if estimations and forecasts for the valuation of assets on future expenditure were valid;
- the materiality calculation was largely influenced by levels of expenditure. The reported £4.6 million was lower than in previous years;
- there were three investment options with regard to the Local Government Pension Scheme. Harrow had applied an approach that was consistent with other Local Authorities. The IFRS further enhanced existing reporting standards;
- the external auditors had undertaken an audit of eight grant claims and returns prepared by the Council and provided six unqualified audit opinions. Two grant claims, greater than £10,000 were adjusted before certification.

In response to questions raised by the Committee, representatives from Deloitte LLP and an officer advised that:

- any fluctuations in the value of fixed assets would be recorded in the relevant financial year. The transfer or sale of fixed assets owned by the Council would be treated as a disposal. If this occurred outside the financial year, the transaction might be disclosed in financial statements, but would not be reported in the final accounts;
- due to a change in accounting standards, the work completed by the Auditors in relation to the Pension Fund differed from previous years. Guidance of the audit fee charged to the pension fund was provided by the Audit Commission. Members noted that the scale of work had not changed and instances of misstatement within the accounts had not occurred. Members were also invited to note that the triennial

valuation of the pension fund was different to how it was considered in the Council's accounts;

- a private meeting between the External Auditors and Members of the Committee would be arranged;
- officers would consider a request to establish a specialised Committee that monitored instances of financial irregularities within the Council's budget.

RESOLVED: That the 2010-11 Accounts Opinion Plan and Pension Fund Annual Report Audit Plan and the Audit Report on Grant Certifications for 2009-10 be noted.

73. Draft Internal Audit Plan 2011/12

An officer presented a report that outlined the draft Internal Audit plan for 2011/12. The Committee noted the following:

- the Governance, Audit and Risk (GARM) Committee was required to approve (but not direct) the Internal Audit Plan in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice;
- projects within the draft Internal Audit annual plan of work for 2011/12 were split between reliance/assurance reviews and risk based reviews. The final plan would be tailored according to the level of risk and the timescales and resources available to Internal Audit;
- consultation with Corporate Directors, Directorate Management Teams and Councillors to identify priorities and high levels of risk had commenced. The results of the consultation would feed into the final audit work plan that would be presented at the GARM Committee meeting on 28 June 2011.

In response to questions, officers advised that:

- feedback from all consultees was welcome. The results would provide officers with an indication of priorities within each Directorate and highlighted areas of high risk;
- the Committee had first considered the Corporate Strategic Risk/Opportunities Register, outlined in Appendix 2 of the report in 2008. The register formed the basis for the recent risk reviews and helped officers establish the framework for the current consultation process;
- officers calculated and prioritised risks in accordance with the likelihood of the event occurring and the related consequences. Members were invited to note that some risks could be quantified in financial terms,

whereas other types of risks were non-financial, such as, damage to reputation.

RESOLVED: That

- (1) the process employed to develop the Internal Audit plan 2011/12 be noted;
- (2) the draft Internal Audit plan 2011/12 be noted.

74. Audit Fee Letter 2011-12

The Committee received a report of the Interim Director of Finance that provided an opportunity to comment on the proposed work plan and fees of the external Auditor, Deloitte LLP, for 2011-12. Members were advised that the auditors were required to agree a fee and report back to the Committee by April 2011. A representative of the external auditors referred Members to Appendix 1 of the report that outlined the trend of audit fees over the past four years. He reported that the pattern of audit fees had declined over the years and could be attributed to the recalculation of fees. He added that the Value for Money (VFM) work had reduced following the abolition of the Comprehensive Area Agreement (CAA).

In response to a request for clarification on whether fee charges for external auditors were different for other local authorities, the representative advised that they will present this information to a future Committee meeting.

RESOLVED: That the proposed work plan and fees be noted.

75. INFORMATION REPORT - Capital Investigation Implementation Plan

The Director of Legal and Governance Services presented a report that set out the progress made against the Capital Investigation Implementation Plan since the last GARM Committee meeting in January 2011.

He reported that:

- officers responsible for implementing the plan had worked with colleagues within Internal Audit and discussed the recommendations outlined in Appendix 1 of the report;
- key officers within the Children's Services and Community & Environment Directorates had been appointed to manage the ongoing capital projects;
- a project team had established three main sub groups to manage the project by resolving any underlying issues within the detailed implementation plan. The implementation plan had been updated to reflect realistic timings for planned actions and would ensure that the existing capital programme was robustly and effectively managed throughout 2011/12;

- in response to recommendations within the capital investigation programme plan, the officers had created a high level project plan. The plan put the detailed actions of the implementation plan into context and addressed council wide issues. The plan endorsed the development of a Capital Strategy, an asset management plan and a Corporate Allocation Model for capital and a number of reviews relating to decision-making, reporting and governance arrangements for the capital programme;
- a draft project initiation document that outlined the timetable for implementing the capital strategy and governance arrangements had been developed. The document recognised that 2011/12 would be a transitional year for implementing the new arrangements (subject to agreement by Council) for 2012/13 onwards. The objective of the project was to provide a framework for future management and implementation of the Council's capital programme that would underpin delivery of all the Council's corporate priorities.

In response to questions from Members, officers confirmed that they had kept the Council's external auditors updated on the work undertaken.

RESOLVED: That the progress against the Capital Investigation Implementation plan be noted.

76. Exclusion of the Press & Public

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

<u>Item</u>	<u>Title</u>	<u>Reason</u>
12.	INFORMATION REPORT – Managing Asbestos	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
13.	Any Other Business INFORMATION REPORT – Internal Audit Update	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

77. Managing Asbestos

An officer provided a verbal update on the Health and Safety Executive recommendations included in the Health and Safety report presented at the Committee meeting on 19 January 2011. He advised that as a result of the recommendations, the Health and Safety considerations had been included in

a draft improvement plan. He added that the Health and Safety team had completed a self-assessment audit and a governance review had been completed. The annual health and safety report for 2010-11 would be reported to the next GARM Committee meeting on 28 June 2011.

RESOLVED: That the update be noted.

78. Any Other Business

Internal Audit Updates

In accordance with the Local Government (Access to Information) Act 1985, the Committee received an item of any other business that provided an update on the work completed by Internal Audit since the last Committee meeting. The report was admitted late to the agenda so that Members could be briefed on recently publicised audits completed by the Internal Audit team since the last Committee meeting.

An officer advised that:

- an audit of a school's financial controls had taken place and the investigation had identified serious financial irregularities. A report on the investigation would be presented to the school and at a future Committee meeting;
- following a request by the Overview & Scrutiny Committee, Internal Audit had completed a review of the grants that had been awarded to voluntary organisations for 2010/11. A report on the outcome of the investigation would be considered by the Grants Advisory Panel on 30 March 2011 and at the Overview & Scrutiny Committee meeting on 27 April 2011. Internal audit had been working with officers to ensure that the progress made against the recommendations in the report were sufficient.

RESOLVED: That the update be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.31 pm).

(Signed) COUNCILLOR JOHN COWAN
Chairman