

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

## 24 SEPTEMBER 2013

**Chairman:** † Councillor Richard Romain

**Councillors:** Mano Dharmarajah \* Chris Mote  
\* Kairul Kareema Marikar \* Varsha Parmar  
\* Amir Moshenson \* Sachin Shah

\* Denotes Member present

† Denotes apologies received

### 248. Appointment of Member

**RESOLVED:** To note the appointment of Councillor Kareema Marikar in place of Councillor Bill Phillips.

### 249. Attendance by Reserve Members

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

### 250. Declarations of Interest

**RESOLVED:** To note that the following interest was declared:

Agenda Item 9 – Statement of Accounts (page 158, final paragraph)

Councillor Amir Moshenson declared a pecuniary interest in that he lived at an address across the road from Whitchurch Playing Fields. He would leave the room whilst the matter was considered.

## **251. Minutes**

**RESOLVED:** That the minutes of the meeting held on 22 July 2013 be taken as read and signed as a correct record.

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

**RESOLVED:** To note that no petitions were received, questions put or deputations received

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

**RESOLVED:** To note that none was received

## **RESOLVED ITEMS**

## **254. Statement of Accounts**

The Committee received the report of the Director of Finance and Assurance, which comprised the Statement of Accounts 2012-13, the Pension Fund Annual Report, and two reports by the Council's external auditors, Deloitte LLP. He informed the Committee that of the seven recommendations put forward, two were already in place, and his team were working towards the remaining five. He added his thanks to the teams across his directorate for their hard work in producing the final statement of accounts.

Paul Schofield of Deloitte LLP introduced the two auditors' reports, and informed the Committee that any outstanding issues were in line with expectations, and would be resolved before the final sign-off. His team had enjoyed a good working relationship with harrow officers, and the audit process had been quick and efficient.

Anna Parker of Deloitte LLP outlined the areas of risk that had been reviewed and reported that the auditors were happy with these. Only one misstatement had occurred, and this had been as a result of a variation in the House Price Index, which was used to calculate valuations.

The Chair welcomed the Council's clean bill of health in respect of its accounting processes, and recorded his thanks to the Director of Finance and Assurance and all members of his team for their work in completing the final statement.

The Committee then requested clarification on the following issues:

- had any termination benefits been paid in excess of contractual obligations?
- will projected savings be realised in the light of stalled projects?
- the amount of overspend against budget, and underspend of capital costs;

- the degree to which undeliverable savings would be offset against savings which were unexpected and unaccounted for;
- the impact of changes of administration on the Council's finances;

The Director of Finance and Assurance acknowledged that some projected savings would be unachievable, but stated his confidence that the Council would come in on or under budget for 2013-14, and that the outline budget for 2014-15 was in an acceptable range. He could not guarantee that no benefits had been paid in excess of contractual obligation prior to his arrival at Harrow, which was largely the period covered by the audit, but reminded Members that any such benefits would have been agreed by the Directors of Finance, Human Resources, and the Monitoring Officer. Finally, with regard to the changes of administration, he explained that any new or amended policy would have to be costed and Members would be advised as to its affordability.

In response to the Chair's dissatisfaction with the management response to the auditors' view on the use of 'depreciated replacement cost methodology' on the valuation of assets, Paul Schofield assured the Committee that the issue had been acknowledged and would be addressed during the audit process.

The Chair raised a further matter of concern, namely that the auditors had made reference to the length of time taken to conclude an investigation into a complaint about a Councillor, which they believed had not been referred to the Standards Committee in a timely manner. The Chair asked that this be referred to Standards Committee.

The Committee then considered the following issues:

- fees charged, including fees for work on the Whitchurch Playing Fields Development which were yet to be decided;
- the complete separation of West London Waste Authority's accounts from those of Harrow which would be in place from 1 April 2014;
- the level of reserves available, which were considered to be satisfactory, although low for a local authority of this size.

Paul Schofield introduced the separate audit of the Pension Fund and reported that one misstatement had been corrected and two earlier recommendations had been implemented, although one would benefit from further work to improve governance. He then highlighted two suggestions in respect of segregation of duties for bank reconciliation, and the need for a separate risk register for the Pension Fund.

The Director of Finance and Assurance replied that the team was currently undergoing a restructure, and the issue of segregation of duties would be addressed through this

Members reiterated their concerns that frequent changes of administration could undermine long term planning and budget projections, but were reassured by the auditors that these did not constitute significant risks at present.

The Chair concluded that the audit had gone well, good relationships with the auditors had contributed to this, and he repeated his thanks to officers in the finance and assurance teams. He asked that any amendments or revisions to the final statement should be circulated to all Members for comment prior to sign-off.

**RESOLVED:** That

- (1) the audited Statement of Accounts for 2012-13 be approved;
- (2) the Statement of Accounts 2012-13 be signed by the Chair of Governance, Audit and Risk Management Committee;
- (3) any proposed amendments are circulated to Members of Governance, Audit and Risk Management Committee for comment;
- (4) the Director of Finance and Assurance be authorised to make any final amendments arising from the audit, and prior to the signing of accounts, following consultation with the Chair;
- (5) the Chair be authorised to agree the Annual Audit Letter for publication and submission once all audit matters have been completed;
- (6) the Pension Fund Annual Report 2012-13 be noted;
- (7) officers be thanked for their work in completing the audit and Statement of Accounts 2012-13;
- (8) a reference be made to Standards Committee in respect of the auditors' view on the timeliness of investigation into complaints.

**255. Annual Governance Statement**

The Committee received the report of the Director of Finance and Assurance which set out the Annual Governance Statement (AGS) for 2012-13, in line with the requirements of the Accounts and Audit Regulations 2011, and the action plan developed to address identified gaps in governance.

An officer introduced the report and explained that although the AGS formed part of the Statement of Accounts, it was a requirement to consider and agree it separately. The governance review had raised one significant and 16 non-significant gaps in governance. The major gap was in respect of the Public Services Network (PSN) Code of Connection, and an officer described the background to this and outlined measures being taken to resolve the issues, including engagement with the Cabinet Office, and liaison with other, similarly affected local authorities.

In response to a Member's query about the impact of changes to the administration, an officer explained that the AGS was a 'backward looking' document up to the point of sign-off, and any issues would be identified in the coming year and reflected in next year's statement.

The Chair enquired about measures taken to address two gaps listed on the action plan, and asked that officers report back if and when these were met. The Director of Finance and Assurance stated that work was underway on the Risk Management Strategy annual review, which would include consideration of capacity in the light of the deletion of a post.

**RESOLVED:** That

- (1) the Annual Governance Statement 2012-13 be approved;
- (2) the actions taken to address governance gaps be noted;
- (3) the Corporate Management Assurance Statement be noted.

## **256. GARMC Terms of Reference and Lead Members**

The Committee received the report of the Director of Finance and Assurance which set out the current terms of reference for review, and which invited Members to appoint Lead Members to monitor specific areas within the Committee's remit.

An officer explained that the existing Terms of Reference had been provided at the request of the Chair, for the Committee to consider whether they required clarification or definition, with a view to proposing any proposed changes to Council via the Constitution Review Group.

A list of specialist areas within the remit of the Committee had also been provided in order that Members could nominate themselves to serve as Lead Members in their preferred areas.

**RESOLVED:** That

- (1) any proposed changes agreed by the Committee will be submitted to Council via the Constitution Review Group;
- (2) the appointment of the following Lead Members be noted:
  - Emergency Planning and Business Continuity - Councillor Chris Mote
  - Anti-Fraud – Councillor Varsha Parmar
  - Governance – Councillor Amir Moshenson
  - Risk Management – Councillor Kareema Marikar
  - Insurance – Councillor Sachin Shah
- (3) appointment of Lead Members to the remaining specialist areas will be noted at subsequent meetings of the Committee.

## 257. Treasury Management Self Assessment Training Action Plan

The Committee received the report of the Director of Finance and Assurance which set out options for action following a self-assessment training exercise.

Members reviewed the actions plan and agreed that the following options should be implemented:

### Item 2 – whether there should be a separate risk register for treasury risks

Agreed action – to draft a risk register and consider whether the risks identified are significant to warrant monitoring by GARMC.

### Item 4 – whether there is a greater need for transparency of the reviews undertaken by the Treasury Management Group

Agreed action - to circulate the meeting reports and action points to GARMC Members.

### Item 8 - whether Members should provide an annual report to Council on scrutiny activities

Agreed action – GARMC will provide a written, annual report on scrutiny activities undertaken by the Committee.

**RESOLVED:** That the Governance, Audit and Risk Management Committee will:

- (1) receive a draft risk register and consider whether the risks identified are significant to warrant monitoring by GARMC;
- (2) receive the reports and action points of the Treasury Management Group meetings;
- (3) submit a written, annual report to Council on scrutiny activities undertaken by the Committee.

## 258. Exclusion of Press and Public

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
15	Corporate Risk Register	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

## 259. Corporate Risk Register

The Committee received the report of the Director of Finance and Assurance, which set out the Council's current risk register for the purpose of monitoring progress on risk management.

An officer stated that the Corporate Risk Register had been submitted at the request of the Committee, and she proposed that it be brought to the Committee every 6 months for review and monitoring purposes. The report contained an overview and detailed descriptions, and she explained that it was a 'living' document which provided a 'snapshot' of the situation at a point in time. The risks listed were 'owned' by management, and she could relay queries and elicit responses from the relevant officers on behalf of the Committee.

In response to Members' queries, she further explained that it was for managers to assess their 'comfort' level in regard to risk – too low a level was unrealistic, the ideal position was for all identified risks to be placed within the risk appetite parameters.

The Chair queried whether it was desirable to invest too much resource in mitigating risk for low risk items, and Members discussed those risks not within the Council's control, and the degree to which it was acceptable to accept higher risk in some areas.

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

(Note: The meeting, having commenced at 7.30 pm, closed at 9.05 pm).

(Signed) COUNCILLOR RICHARD DAVID ROMAIN  
Chairman