

# GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

## 28 JANUARY 2016

**Chair:** \* Councillor Antonio Weiss

**Councillors:** \* Jeff Anderson (2) \* Amir Moshenson  
\* Barry Macleod-Cullinane \* Nitin Parekh  
Kairul Kareema Marikar (3) \* Bharat Thakker

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

### 94. Attendance by Reserve Members

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

Ordinary Member

Councillor Ghazanfar Ali  
Councillor Ms Pamela Fitzpatrick

Reserve Member

Councillor Jeff Anderson  
Councillor Kareema Kairul Marikar

### 95. Declarations of Interest

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

**96. Minutes**

**RESOLVED:** That the minutes of the meeting held on 8 December 2015 be taken as read and signed as a correct record.

**97. Public Questions**

**RESOLVED:** To note that no public questions were received.

**98. Petitions**

**RESOLVED:** To note that no petitions had been received.

**99. Deputations**

**RESOLVED:** To note that no deputations were received at the meeting under the provisions of Committee Procedure Rule 16.

**100. References from Council and other Committees/Panels**

**RESOLVED:** To note that no references were received.

**RESOLVED ITEMS**

**101. External Audit Plan 2015-16**

Members received the External Audit Plan 2015/16 from the Council's external auditors, KPMG.

The Chair welcomed Andy Sayers, Partner, and Emma Larcombe, Audit Manager, from KPMG to the meeting. Mr Sayers outlined the content of the Plan and requested that Members raise any concerns that they may have in terms of fraud with the auditor.

Members then asked questions of the auditors. In terms of the approach to contracts and procurement, the auditor advised that he may consider the authorisation procedure and processes in procurement and whether there had been any complaints/objections in relation to a procurement exercise. He would also look at the contracts register.

In response to a question about the level of reliance by the external auditor on the Council's internal auditor, Mr Sayers advised that the external auditor was not permitted to instruct them but would request background information and other assistance where appropriate. The external auditor would want to see an effective internal audit.

In terms of financial planning, Mr Sayers advised that he had not yet formed a view as it was KPMG's first year as the Council's external auditor but that he would expect to see robust controls. In response to another Member's concerns in relation to the budget proposals, predicted savings, business plans and the late preparation of a recent business case and a question as to

how much attention the external auditor would pay to such issues, Mr Sayers advised that he would consider the budget and whether there was a plan to deliver it. The external auditor would only consider matters within their remit.

A Member sought clarification on the audit approach and benchmarking and was advised that, for example, in relation to housing, social housing providers may be looked at and in relation to payroll the number of amendments made might be reviewed. It was further clarified that the external auditor would not look at the compliance of organisations receiving a grant from the Council but that internal audit had done some work in this area and, as a result, a grant had not been given.

The Chair thanked the external auditors for their attendance and contribution.

**RESOLVED:** That the External Audit Plan 2015/16 be noted.

## **102. Corporate Anti-Fraud Team Mid-year Report 2015/16**

Members received a report which set out the mid year progress of the Corporate Anti-Fraud Team against its fraud plan objectives for the 2015/16 financial year. The report also provided a general update in relation financial savings and structural changes.

Members questioned the deletion of the permanent post in the Corporate Anti-Fraud Team, the projected income for this post, the cost of the post and whether the Council would be saving or incurring costs due to the reduced ability to detect fraud. Members expressed concern that the Council was likely to be exposed to an increase risk in terms of fraud. Consideration also needed to be given to the deletion of the post funded by the Housing Revenue Account as this acted as a deterrent and a Member requested that the Housing Department be advised of the Committee's concern at the possible loss of this post.

In response to Members concerns, the officers advised that it was difficult to estimate the likely costs of any potential fraud that would have been identified by the officer in the deleted post(s). There was a balance to be sought due to the financial pressures on the Council. Work was being done in relation to fraud risk across the Council. Members noted in terms of information/knowledge sharing with other Councils that there was a strong community in London and that the Corporate Anti-Fraud Network met bi-annually.

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

## **103. Internal Audit Mid-Year Report and 2015/16 Plan Update**

The Committee received a report which set out progress against the 2015/16 Internal Audit plan.

The Head of Internal Audit outlined the content of the report and responded to questions from Members. She advised that it was too early to comment on

Blocked Invoices and that, in relation to procurement fraud, considerable work had been done and some issues and improvements had been identified.

A Member expressed concern that three of the reviews in 2015/16 Plan were no longer going to be undertaken ie income maximisation, Legal Services Company and MyCep, as the Council was promoting income generation in the proposed budget. He stated that senior management should be looking at this. The Head of Internal Audit responded that these reviews would be re-considered in the following year and that the IT contract management review originally planned for next year had been brought forward. The Director of Finance added that, during budget setting, all directorates had considered where budget savings could be maximised.

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

#### **104. IT Contract Management Terms of Reference Report**

The Committee received a report which set out the Terms of Reference for the Internal Audit Review of IT Contract Management.

The Committee welcomed the report and requested that an oral interim report be provided at the next meeting.

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

#### **105. Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2016-17**

Members received a report which set out the Council's Treasury Management Strategy (TMS) Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2016/17.

The Director of Finance outlined the content of the report and confirmed that the Borrowing Strategy was viewed as prudent. The Council only borrowed what it needed and treasury management/ cash flow was monitored on a daily basis and she advised that officers worked closely with the Council's treasury management advisers.

Some Members challenged the level of borrowing and questioned at what point the amounts borrowed would be viewed as unreasonably high. Members expressed concern about the affordability of the borrowing. The Director of Finance undertook to provide additional commentary and a more detailed affordability table in the next report. The report content was governed by the CIPFA code and it was agreed that more explanation in relation to what the ratios meant for Harrow would be included in future reports.

Members were reassured that senior management did have oversight of treasury management and borrowing levels. The Director of Finance and the Treasury and Pension Fund Manager reviewed information at least monthly

and all Cabinet reports were submitted to the Corporate Board. In addition to this, Internal Audit undertook a review on an annual basis.

Members considered whether the Committee should write to the Leader of the Council and Chief Executive as part of their 'obligation to raise flags' about the importance of senior management oversight of the treasury management strategy. The Corporate Director of Resources and Commercial re-iterated that the TMS was considered by the Corporate Board and that the Director of Finance, as the statutory Section 151 Officer, was the most qualified finance officer within the organisation.

**RESOLVED:** That

- (1) the Treasury Management Strategy Statement and Prudential Indicators for 2016/17, Minimum Reserve Provision Policy Statement for 2016/17 and Annual Investment Strategy for 2016/17 be noted;
- (2) the maximum total investment in the Investment Property Strategy be set at £20m;
- (3) the limit of investments for over 364 days be increased to £60m;
- (4) a diagram setting out the responsibilities for financial controls/governance processes be submitted to the next meeting;
- (5) a learning session on the Treasury Management Strategy be arranged.

#### **106. Motion to exclude the Press and Public**

Members considered whether the exempt information report of the Director of Legal and Governance Service, RIPA Authorisations update, should be considered as a Part I agenda item. The officer explained that the report provided details of investigations and it was unknown what stage these were at.

**RESOLVED:** That the report on RIPA Authorisations Update be considered in Part I.

#### **107. RIPA Authorisations Update**

Members received a report of the Director of Legal and Governance Services which report set out the use of the Council's powers under the Regulation of Investigatory Powers Act 2000 during 2015.

Having agreed that the report be considered in Part I of the agenda, during the course of the officer introduction of the report and discussion arising, it was subsequently

**RESOLVED:** That

- (1) 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 for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
14.	RIPA Authorisations Update	Information under paragraph 7 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

- (2) the report be noted.

(Note: The meeting, having commenced at 7.33 pm, closed at 9.40 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair