

# GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

## 8 SEPTEMBER 2016

**Chair:** \* Councillor Antonio Weiss

**Councillors:** \* Ghazanfar Ali \* Barry Macleod-Cullinane  
\* Mrs Chika Amadi \* Amir Moshenson  
\* Barry Kendler (1) \* Kanti Rabadia (1)

\* Denotes Member present  
(1) Denotes category of Reserve Members

### 139. Attendance by Reserve Members

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

Ordinary Member

Councillor Margaret Davine  
Councillor Bharat Thakker

Reserve Member

Councillor Barry Kendler  
Councillor Kanti Rabadia

### 140. Declarations of Interest

**RESOLVED:** To note that the following interests were declared:

Agenda Item 8 – Statement of Accounts 2015/16

Councillor Barry Macleod-Cullinane declared a non pecuniary interest in that by virtue of his previous employment at London Councils' Ltd he was a member of the Local Government Pension Scheme. Further he was on the

Resources Board of the Local Government Association. He would remain in the room whilst the matter was considered and voted upon.

Councillor Kanti Rabadia declared a non pecuniary interest in that he was a member of the Local Government Pension Scheme. He would remain in the room whilst the matter was considered and voted upon.

**141. Minutes**

**RESOLVED:** That the minutes of the meeting held on 19 July 2016 be taken as read and signed as a correct record.

**142. Public Questions**

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

**143. Petitions**

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

**144. Deputations**

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

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

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

**RESOLVED ITEMS**

**146. Statement of Accounts 2015-16**

Members received a report which presented the audited Statement of Accounts for 2015-16 and welcomed the Auditors, Andrew Sayers and Emma Larcombe, KPMG, to the meeting.

The Auditor reported that the Accounts would be unqualified as would the Pension Fund Statement of Accounts. Audit adjustments had been included in the report and he asked Members to confirm their agreement to the adjustments to the Accounts. The Auditor advised that although a number of recommendations had been made this was not unusual when there was a change in auditor. Overall it had been a smooth audit and the Council's finance team had been responsive to requests for information and he had no concerns.

In welcoming the narrative in terms of the Medium Term Financial Strategy and the savings target, a Member questioned the robustness of the planned income generation. The Auditor advised that whilst savings and commercialisation plans were considered he could not comment as to whether these would work or had substance. There was, however,

recognition from the Executive that not all of the plans may be achievable and, if one off actions had been identified to cover in year, such actions should not be lost as potential additional savings in future years. There would need to be close monitoring and scrutiny.

A Member questioned the reported deficiencies in relation to journal transfers and was advised that authorisations had not been carried out by the appropriate officer. Further, once authorised there was no one overseeing the inputs team and although there were no concerns when the checks were carried out, the Auditor had recommended sample checks.

In terms of the materiality of asset qualification, the Auditor advised that those over £300,000 would be reported. Two items had been omitted from the fixed assets valuation review but this had been due to an oversight.

A Member asked a series of questions which were responded to as follows:

- the savings target was £53m over 3 years but had subsequently been revised to include an additional year which had resulted in a savings target of £83m;
- there were no errors found during the substantive testing of the Housing Revenue Account;
- the Auditors had considered the asset valuations carried out by experts in their field. The Auditors had been satisfied that there had been an oversight following conversations with their valuers and the issue had related to the Service Level Agreement in that it had not been signed;
- the Auditor indicated that if Members had concerns in relation to the lack of inclusion of certain related parties to advise him accordingly;
- Members would be provided with the criteria for disclosure;
- the Auditor had made a recommendation in terms of the requirement for the Pension Fund to have a dedicated bank account as there were some concerns as to this money flowing through the Authority's bank account. The Auditor indicated that he would encourage that this be kept under review particularly if the SAP system was reviewed.

In response to a Member's comments in relation to the policy context the Council was operating, the Auditor commented that all authorities had challenging savings targets and had a large number of initiatives which might succeed or fail. These initiatives would be monitored. He acknowledged the Member's comment that there were inevitably risks associated with being entrepreneurial as managers were not trained to be commercial and that a different skills set was required.

A Member expressed the view that valuation of the Council's stock was not carried out correctly and that certain assets had been incorrectly disposed of. The Auditor advised that the process for the disposal of fixed assets were

considered and testing carried out. Valuers have considered the stock condition.

The Auditor stated that it was not his role to advise on the correct level of reserves and that the comments in the report related to looking at the level compared to other London Boroughs. He undertook to provide Members the median level of reserves.

The Chair thanked the Auditors for their attendance and responses and the finance team for their work in assisting the Auditor.

**RESOLVED:** That

- (1) the reports of the External Auditor on matters arising from the Statement of Accounts 2015-16 and the Pension Fund Annual Report 2015-16 be noted;
- (2) the audited Statement of Accounts 2015-16 be approved and the Pension Fund Annual Report 2015-16 be noted and the signing thereof by the Chair of the Committee be authorised;
- (3) the Director of Finance be authorised, following consultation with the Chair of the Committee, to make any amendments to the Accounts and Pension Fund Annual Report arising from the external audit prior to the signing of the accounts by the Auditor; and
- (4) the summary Statement of Accounts 2015-16 be noted.

#### **147. Information Report - Treasury Management - Prudential Indicators**

Members received a report which had been prepared in response to a request at the last meeting of the Committee. The report expanded on the information previously provided in respect of borrowing, the capital programme and prudential indicators.

Members welcomed the report, its clarity and acknowledged the work that had gone into its preparation. One Member stated that it would have been useful, in terms of Regeneration, to also include the 3 years following 2018/19 and also the effect of Council Tax. He also questioned the proportion of Council Tax being allocated to debt repayment.

The Director of Finance undertook to include a further 3 years in the projections as well as the cumulative effect of Council Tax for future reports and to also circulate an updated document following the meeting. Further, in response to a question as to whether the capital receipts assumptions in terms of the Regeneration Programme had been reviewed post Brexit, the Director advised that the figures were reviewed on an ongoing basis but that she would circulate an update on the figure reported to Cabinet and included in this report to Members.

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

#### 148. Annual Governance Statement 2015/16

The Committee received a report which set out the Council's Annual Governance Statement (AGS) for 2015/16 and the Head of Internal Audit's opinion.

The Head of Internal Audit introduced the report and advised that she assessed the adequacy and effectiveness of the organisation's control environment for the 2015/16 financial year to be "good".

In response to a Member's concerns about the context in which the AGS had been prepared in terms of the financial environment, the changing demographics of the borough and the resultant risks to the Authority, the Head of Internal Audit advised that such issues would be addressed in the Corporate Risk Register. There was ongoing dialogue with senior managers in order to identify risks and Members of the Committee could raise any concerns at the meeting.

A Member questioned the overlap of duties in terms of Scrutiny and Audit and was advised that the CIPFA requirement was that the Audit Committee should be independent of both the Executive and Scrutiny. The Head of Internal Audit advised that she had agreed with the Leader that the aim should be to have no more than 50% overlap of Scrutiny and Audit Committee members. As the overlap was currently 71%, the Audit Committee was not independent of the scrutiny function but she did acknowledge that there could be some benefits to this overlap. The Member suggested that this issue be discussed on a cross party basis.

**RESOLVED:** That

- (1) the Annual Governance Statement for 2015/16 be approved;
- (2) the Head of Internal Audit's Overall Opinion for 2015/16 be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.07 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair