

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

6 DECEMBER 2017

Chair: * Councillor Antonio Weiss

Councillors: * Ghazanfar Ali † Kanti Rabadia
* Maxine Henson * Mrs Rekha Shah
* Amir Moshenson * Bharat Thakker

* Denotes Member present

† Denotes apologies received

200. Attendance by Reserve Members

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

201. Change in Membership

RESOLVED: That the appointment of Councillor Kanti Rabadia in place of Councillor Barry Macleod-Cullinane as a member of the Committee and the appointment of Councillor John Hinkley as a Reserve be noted.

202. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Kanti Rabadia as Vice-Chair of the Committee for the remainder of the 2017/2018 Municipal Year.

203. Declarations of Interest

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

204. Minutes

RESOLVED: That the minutes of the meeting held on 5 September 2017, be taken as read and signed as a correct record.

205. Public Questions, Petitions or Deputations

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

206. References from Council and other Committees/Panels

RESOLVED: To note that no references had been received.

RESOLVED ITEMS

207. Treasury Management Strategy Statement and Annual Investment Strategy: Mid Year Review 2017-18

The Committee considered a report on the mid-year review of treasury management activities for 2017/18. The Director of Finance introduced the report and drew particular attention to the fact that no external borrowing had been taken in the financial year to date due to the use of internal borrowing and the reduction of cash balances in accordance with Council policy. However, should the balances fall below the £30m trigger then temporary borrowing would be taken to minimise borrowing costs. The Committee was informed that the Council held £53.4m of investment balances as at 30 September 2017. No debt restructuring had been undertaken during the first six months of the year as there was no financial benefit due to penalties for early repayment.

During discussion on the report, the following principal points were noted in response to comments and questions from individual Members:

- the reduction in the investments held by the Council, from £65.1m as at 31 March 2017 to £53.4m as at 30 September 2017, was due to short term investments as the small balances prevented longer term investment. Interest rates remained low although there had been a small improvement since a rise in the base rate;
- the counterparties actively in use during the period had been Lloyds, Royal Bank of Scotland PLC and Svenska Handelsbanken;
- with reference to the HRA debt headroom, the Council was at its borrowing debt limit on the HRA which had its own rules and regulations. There was not a target level of headroom and the Council

had been at the debt cap, which was set externally, for many years. The situation was monitored to ensure that the debt cap was not exceeded;

- officers would liaise with the Department for Communities and Local Government (DLCG) with regard to the potential in the recent budget for some Local Authorities to increase debt. However the Council would need to ensure capacity to repay any such debt.

In response to questions from Members of the Committee, the Director of Finance undertook to circulate the following information to the Committee:

- confirmation of the expected borrowing requirement before the end of the financial year (the last sentence of paragraph 19 refers);
- clarification of the capital financial requirement in table 5 and the change in net borrowing after investment balances were taken into account in table 7;
- the schedule that specified the difference between specified and non specified;
- information on the source of the authorised limit beyond which external debt was prohibited.

RESOLVED: That the report be noted.

208. INFORMATION REPORT - Annual Audit Letter 2016-17

The Committee received a report on the Annual Audit letter from the Council's external auditors which summarised the key conclusions from the Auditor's work. The Director of Finance introduced the report and drew attention to the unqualified audit opinion and value for money conclusion. The four recommendations referred to on page 4 of the Annual Audit letter had been considered by the Committee at its meeting in September 2017 with one already implemented and the other three being worked upon during the second half of the financial year. The officers would ensure that all the recommendations were implemented.

Particular attention was drawn to the requirement for the 2017/18 accounts to be closed by 30 May 2018 and to be signed off two months earlier than the 2016/17 accounts.

Members noted that there was increased pressure on achieving a breakeven position because the Council still needed to generate savings but also had additional demand led spending in Children's and Adults Services. The Auditors recognised the additional controls that the Authority had put in place to mitigate these overspends.

In response to a question, the Committee was informed that the £8000 audit fees for audit related services was in relation to an objection in 2014/15 that concluded in November 2016.

A Member referred to the identification of the arrangements put in place to mitigate the savings targets of £83m to be achieved between 2015/16 to 2018/19 and sought an update on progress. The Director of Finance stated that the report to Cabinet on the draft 2018/19 budget presented a balanced position. It was noted that the Authority's net controllable revenue budget of £141m was the element of the budget that the Authority could exercise control over and from where the savings must be found. Factors influencing the current position included a reduction in grants, provision for pay awards and capital investment. In response to a question the officer stated that savings made to manage the budget gap did not result in a reduction in the revenue budget.

RESOLVED: That the report be noted.

209. INFORMATION REPORT - Internal Audit and Corporate Anti-Fraud Mid-Year Report and Plan Update 2017/18

The Committee considered a report that set out progress against the 2017/18 Internal Audit and Corporate Anti-fraud plans. The report also covered progress in Quarter 3 and an update on the Internal Audit annual plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and detailed performance against the performance indicators. The Committee was informed that overall 42% of the plan had been completed at mid-year which was 3% lower than the target of 45%. This was due to resources being diverted to three emerging risks in Quarter 2 of 2017/18 as well as the loss of the interim risk management resource requiring a diversion of resources to update the register for Quarters 1 and 2. With regard to performance indicator 2, there had been a decision to delay four of the follow ups due to the maternity leave of an Assistant Auditor. These were not expected to determinately effect the achievement of the performance target at year end.

Particular attention was drawn to emerging risks with regard to the regeneration capital programme and special needs transport which would require the diversion of resources. The Head of Internal Audit and Corporate Anti-Fraud undertook to confirm at the next meeting which parts of the Plan could not be undertaken as a result of diverting resources.

A Member sought further information on Parking Tickets Overpayments and was informed that this work was reaching completion and the assurance would be reported to the Committee in due course.

Another Member sought clarification on whether the investigation regarding payments to Teaching Assistants reflected a widespread issue. The officer reported that it concerned inappropriate decisions made by a particular school and not the process. The school concerned had agreed to implement the

recommendations when presented to it and any lessons learnt would be fed into the audit work at other schools.

The Committee noted progress against the Corporate Anti Fraud Team Plan 2016/17. In response to a question from a Member as to whether any new forms of fraud were emerging, the officer stated that there was nothing of major concern. It was a continual process in conjunction with a proactive London group and information was drawn from a number of different resources.

With regard to a question on the outcomes and savings summary mid year 2017-18, it was noted some were live and some closed off. A Member suggested that it would be helpful to know how many were live. Another Member sought clarification as to whether the savings, £1.47m at mid year point, represented an equilibrium of staffing against savings. The officer informed the Committee that as a high proportion of anti-fraud work was preventative there was not an income stream. Whilst an additional staff member would no doubt identify fraud loss or potential fraud loss there was no direct cashable benefit and investigative fraud was not seen as a profit centre.

A Member suggested that colour coding of objectives would be helpful to ascertain how vital the objective was and the impact if it was not met. The Corporate Director Resources and Commercial assured Members that the objectives were reviewed during the year with oversight by himself and the Head of Internal Audit and Corporate Anti-Fraud and if anything serious was not on track it would be dealt with.

RESOLVED: That the report be noted.

210. Exclusion of the 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 for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
15	Information Report – 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)).

211. INFORMATION REPORT - Corporate Risk Register

The Committee received a confidential report on the Council's 2017/18 Quarter 2 Corporate Risk Register as part of its role in monitoring progress on risk management.

The attention of the Committee was drawn to the risks as recorded on the front sheet of the risk register, particularly those risks rated red as these were seen as the most significant group of corporate risks currently facing the Council.

The Head of Internal Audit and Corporate Anti-Fraud reported that all risks had been reviewed and updated. The new and emerging risks in Quarter 2 were outlined.

In response to a question regarding the emerging risk of the effectiveness of the Council's health and safety arrangement, it was noted that strategies were under discussion and the Committee would be updated.

The Committee discussed the impact of homelessness on the budget. A Member stated that it would be useful to see the report from the peer review in order to do an analysis. The Corporate Director Resources and Commercial undertook to ascertain whether there was a written outcome of the peer review.

In response to a question, it was noted that the risk register was updated by managers and then 'moderated' by the Corporate Strategy Board before it was finalised each quarter..

The Director of Finance reported that £3m had been put into homelessness and undertook to confirm the current budget.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.35 pm).

(Signed) COUNCILLOR ANTONIO WEISS
Chair