

# GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

## 30 JANUARY 2018

**Chair:** \* Councillor Antonio Weiss

**Councillors:** \* Ghazanfar Ali \* Kanti Rabadia  
\* Maxine Henson \* Mrs Rekha Shah  
\* Pritesh Patel (1) \* Bharat Thakker

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

### 212. Attendance by Reserve Members

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

Ordinary Member

Reserve Member

Councillor Amir Moshenson

Councillor Pritesh Patel

### 213. Declarations of Interest

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

### 214. Minutes

**RESOLVED:** That the minutes of the meeting held on 6 December 2017, be taken as read and signed as a correct record.

## **215. Public Questions, Petitions or Deputations**

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

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

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

## **RESOLVED ITEMS**

## **217. INFORMATION REPORT - External Audit Plan 2017 - 18**

The Committee received a report on the External Audit Plan for 2017-18. The report summarised how the external audit of the Council's accounts and Pension Fund accounts for 2017/18 would be conducted and the key aspects of the audit plan.

Andrew Sayers of KPMG introduced the report, stating that there were no significant accounting changes and this provided stability. He drew particular attention to the pressures arising from the requirement for the closure and production of accounts by 31 May instead of 30 June and for external audit certification by 31 July instead of 30 September. Due to the proximity of the local elections to the closure of the accounts assistance was sought in encouraging Members of the Council to complete their declarations and to assist new Members with the process.

The Committee discussed the appropriateness of Authority materiality of £8million (1.3% of 2016/17 Authority expenditure) and Pension Fund materiality of £10million (1.2% of 2016/17 net assets). Andrew Sayers informed Members that any audit differences would be considered against the materiality.

In response to a question regarding the potential impact of homelessness, it was noted that the audit looked at historical financial information and not potential issues. Consideration would be given to value for money, the ability to meet plans, controls and flexibility.

A Member queried whether the threshold above which individual errors were reported to the Committee should be reconsidered. The Auditor stated that £400,000 for the Authority and £500,00 for the Pension Fund was a common approach and that it was a matter for the Council. A further Member suggested that the position be reviewed should any weaknesses be identified during the Audit. The Chair requested the Auditor to monitor the level and guide the Committee.

A Member queried why the Council's trading subsidiaries were not consolidated in the accounts and audit. The Committee was informed that whilst the Auditor did not expect the scale of operations to be material in 2017/18, it would need to revisit this consideration should the scale of

operation increase. Whether trading companies required an individual audit depended on the sort of company and size. In response to a question it was stated that any loans between the Council and trading companies would be eliminated at consolidation. The Director of Finance agreed to clarify the disclosure note where any such loans would be shown. The Auditor undertook to look at trading companies.

In response to a query the Director of Finance undertook to clarify where the statement of accounts referred to the reconciliation between budgets and the actual outturn position. The Auditor stated that it paid specific attention to the value for money risks by reviewing the delivery of the Medium Term Financial Strategy including the monitoring of the annual budget.

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

## **218. INFORMATION REPORT - Audit Report on Grant and Returns Certifications 2016-17**

Andrew Sayers of the Council's Auditors introduced the annual report on grants and returns 2016/17. The report summarised the outcome of returns with regard to Teachers' Pension Return and Pooling of Housing Capital Receipts return, and the Housing Benefits Grant claim..

In response to a question, the Auditor reported that it followed a prescriptive process and that materiality did not apply to grants.

With regard to Members related parties declarations the Auditor stated that letters would be circulated towards the end of March for return by the end of April.

**RESOLVED:** That the Audit report on Grant and Returns Certifications 2016/17 be noted.

## **219. INFORMATION ITEM - Revised Internal Audit Plan 2017/18**

The Committee received a report which set out the revised Internal Audit Plan 2017/18.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and highlighted the emerging risks to be reviewed as part of the 2017/18 plan and the impact of the changes to the Annual Governance Statement. Those reviews identified for carry forward to 2018/19 would be subject to further risk assessments before being included.

The officer advised that the 2018/19 Internal Audit and Corporate Anti-Fraud draft plan would be submitted to the Committee in April 2018.

In response to a question, the Committee noted that, as high level technical IT audit expertise was not available in-house, such IT reviews were dealt with in partnership with PWC . With regard to less technical IT reviews, such as password security, these were dealt with in house. The Head of Internal Audit and Corporate Anti Fraud informed the Committee that she set the terms of

reference for reviews undertaken by PWC and the Council's provider was engaged if appropriate. The Council was part of the Cross Council Assurance Service (CCAS) where the six Boroughs and PWC shared audit plans and approaches taken.

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

**220. INFORMATION ITEM - Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2018/19**

The Committee received a report which set out the Council's Treasury Management Strategy Statement which included Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2018/19. The views of the Committee were sought and it was noted that any comments would be included in the report to Cabinet. Updated information was tabled and the Committee was informed that further changes could be necessary prior to submission of the report to Cabinet.

The Director of Finance outlined the content of the report and drew particular attention to the revised Prudential and Treasury Management codes issued by CIPFA in December 2017 which required all local authorities to prepare a Capital Strategy report from April 2019. It was envisaged that the strategy would be considered by this Committee prior to submission to Cabinet and Council. Information was awaited as to whether the code would be prescriptive or provide overarching areas that the officers would populate. The Chair offered his assistance if required.

In addition, the Director of Finance highlighted the most significant changes in the updated information circulated at the meeting. These figures filtered through the tables and did not affect strategy. Particular attention was drawn to:

- the rephrasing of regeneration capital expenditure and funding. In response to a question it was noted that there was a small quantum change;
- the increase in HRA due to the lifting of the debt cap. In response to a question as to additional funding and its impact, it was noted that the money would be ring fenced in the HRA account and would be primarily for building new properties and investment in current stock. The requirement was for at least a balanced budget and in practice there was a surplus. It was noted that the central finance team would challenge to ensure sustainability.

In response to questions, Member were informed that:

- the ratio of financing costs to revenue stream was not benchmarked as the ratio was different for each Authority. The key thing was whether it was affordable within the budget;

- the authorised limit for external debt was set by Cabinet and related to capital financing requirement that had yet to be borrowed. With regard to the regeneration programme, the model was funded by rental income from the properties so was ultimately cost neutral;
- monthly monitoring ensured that borrowing was within the operational boundary. Any change to the limits required Council approval and could only change annually. There was a requirement on officers to report any likelihood of a breach;
- the Council had reduced the capital programme by 25%, hence the reduction in financing costs.

In order to assist Members' understanding of the key assumptions behind the strategy, the Director of Finance undertook to signpost information from the Cabinet report. It was noted that there was the opportunity for the Committee to review the position and raise any concerns three times a year. A further report would be submitted to the Committee prior to the setting of the Capital Strategy.

**RESOLVED:** That the Treasury Management Strategy Statement for 2018/19 be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.40 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair