

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

29 JANUARY 2019

- Chair:** * Councillor David Perry (Chair for part meeting)
- Councillors:** * Peymana Assad * Amir Moshenson
* Philip Benjamin * Kanti Rabadia (Chair for part
* Maxine Henson of the meeting)
* Chloe Smith (4)

* Denotes Member present
(4) Denotes category of Reserve Member

35. Attendance by Reserve Members

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

Ordinary Member

Councillor Ghazanfar Ali

Reserve Member

Councillor Chloe Smith

36. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda item 15 – Information Report – Internal Audit Red Assurance Reports
Councillor David Perry declared a non-pecuniary interest in that he had been Leader of the Council during part of the period under discussion. He would vacate the Chair and remain in the room whilst the matter was considered and voted upon.

37. Minutes

RESOLVED: That the minutes of the meeting held on 5 December 2018 be deferred to the next meeting of the Committee.

38. Public Questions, Petitions and Deputations

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

39. References from Council and other Committees/Panels

There were none.

RESOLVED ITEMS

40. Information Report - External Audit Plans 2018/19

The Committee received a report on the External Audit Plans for 2018/19. The report summarised how the external audit of the Council's accounts and Pension Funds for 2018/19 would be conducted and the key aspects of the audit plan.

Lucy Nutley of Mazars, the Council's Auditors, introduced the report with reference to the audit approach, significant risks and areas of key judgement and stated that the lower level of materiality compared to the previous year reflected it being the first year as the Council's Auditors. With regard to the Audit of the Pension Fund it included identified risks and the testing approach to these risks. The Committee was informed that the Director of Finance had been advised that it was highly likely that group accounts would need to be prepared and the Auditor would prepare an updated strategy or a letter to that effect.

In response to queries from Members, the Committee was informed that:

- with regard to the rolling valuation of land and buildings over a five year period, those assets valued in the current year were checked as to materiality including whether consideration had been given to the need for impairment;

- the new leasing standard IFRS 16 was likely to result in significant work to identify all leases to which the Council, including schools, was party to. The adoption of the standard had been deferred by CIPFA and would now form part of the 2020/21 financial year. The Council's financial team had already commenced work on updating its lease register;
- the costs to date associated with the regeneration programme would be reviewed to ensure that they were correctly accounted for and disclosed appropriately in the financial statements;
- the former Auditors had determined that the Council's entities had not been material in the previous year. It was likely that the transfer of properties to the Concilium Group prior to the end of the financial year would result in their becoming material so group accounts would be required. Should this occur the Auditor would prepare a letter to inform the Committee of the change. The Director of Finance noted the request from a Member that a report on the Council's commercial activities be submitted to the Committee for an overview and scrutiny;
- the external review report on the regeneration programme would be considered to ascertain whether a material year end adjustment was required.

The Chair informed the Committee that he had met with the Auditors and that there would be opportunities for them to meet with Members of the Committee at an appropriate time.

RESOLVED: That the report be noted.

41. Information Report - Audit Report on Grants and Returns Certifications 2017/18

The Committee received the annual report on grants and returns 2017/18 which included a summary of the outcome of returns with regard to Teachers' Pension Return, the Pooling of Housing Capital Receipts return, and the Housing benefits Grant claim.

The Director of Finance introduced the report and informed the Committee that it was the final report of the former auditors. It was noted that a qualification letter had been issued in respect of the Housing Benefit subsidy grant claim as audit testing had identified some minor errors of which there was not expected to be any effect on the subsidy granted. It was further noted that the Auditors had to report all finding from the sample as materiality for errors was zero. It was therefore very rare not to report something with the HB subsidy audit. In response to a question it was noted that the Council had amended the Pooling of Housing Capital Receipts return and would address the shortfall in receipts as part of the Quarter 3 return for 2018/19.

RESOLVED: That the Audit report on Grant and Returns Certifications 2017/18 be noted.

42. Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2019/20 and Corporate Strategy.

The Committee received a report which set out the Council's Treasury Management Strategy Statement which included the Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2019/20 and the Annual Capital Strategy. The report had been submitted late due to revisions to the capital programme which impacted on the TMSS indicators and borrowing requirement.

The Director of Finance introduced the report and stated that the information was based on the draft capital programme presented to December 2018 Cabinet and would be revised to reflect the final programme which would be submitted to February Cabinet. The 2018/19 revenue budget, in respect of the capital financing cost of the existing capital programme 2018/19 to 2020/21 was £24.601m. The report included the new requirement for a capital strategy, which was a fluid document. There was as yet no specific guidance and the matter would be discussed at a West London Treasurers meeting the following week. The final Capital Strategy would be submitted to the Committee at its April meeting.

In response to a question the Committee noted that, in accordance with the minimum revenue provision (MRP), assets were recorded in the balance sheet and a portion of revenue was set out for debt repayment on the life of the asset. The entries for the revenue account and the MRP requirement were two separate actions and did not duplicate. The External Auditor stated that the MRP requirement was not used in the calculation of Council Tax.

In response to questions, the Committee was informed that:

- no borrowing from European institutions had taken place as borrowing had been from UK institutions or the Public Works Loan Board (PWLB);
- regular meetings took place with Link Asset Service, the Council's Treasury Management Advisers, who assessed counterparty risks to ascertain whether any changes to the strategy were required. Checks were made to ensure the Treasury Adviser's economic data and forecasts was consistent with the rest of the market;
- debt had to be repaid as possible. For two regeneration schemes requiring borrowing, debt would be repaid when the schemes were sold;
- with regard to an assessment of a no deal Brexit on availability and rates, decisions were based on the best information available including monitoring the PWLB and treasury adviser forecasts. All four commercial investments were UK based, nothing in retail and no fluctuations since purchased. The situation would be reviewed and the exposure was considered to be manageable;

- capital exposures, other than those relating to the regeneration programme, determine whether the value of an asset is best realised through disposal. A report would be submitted to the March Cabinet on whether properties were no longer of use;
- table 4 to the report illustrated changes to gross debt and the next report to the Committee would indicate the net impact;
- CIPFA requirements for commercial investment showed the Council held £17m commercial and received £700k rental income.

RESOLVED: That the report be noted.

43. INFORMATION ITEM - Internal Audit and Corporate Anti-Fraud Mid Year Report and Plan Update 2018-19

The Committee considered a report that set out progress against the 2018/19 Internal Audit and Corporate Anti-fraud plans. The report also covered progress in Quarters 3 and 4 and an update on the Internal Audit annual plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and drew attention to the fact that all internal audit performance indicators had been met, and with 90% exceeding the target. With regard to anti-fraud, four out of five targets had been exceeded. It was noted that the fifth was an annual target which was expected to be met by year end.

The officer outlined the process for the annual drafting of the plan and sought discussion with the Chair as to the form of the Committee involvement in the 2019/20 plan.

In response to a question, an officer outlined the processes in the overall fraud savings attributed to the blue badge fraud work stream and the support provided by the Concessionary Travel Team. It was further noted that £558k savings from tenancy fraud had been realised. Members expressed the view that the CAFT should consider allocating more resources into the areas with the higher expected savings and the Corporate Anti-Fraud Manager confirmed that this was done..

RESOLVED: That the report be noted.

44. Exclusion of the Press 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>
14.	Information report – 2018-19 Corporate Risk Register	Information under paragraph 3 (contains information relating to

Quarter 2

the financial or business affairs of any particular person (including the authority holding that information).

15. Information report – Internal Audit Red Assurance Reports
- Information under paragraph 1 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

45. INFORMATION REPORT - 2018/19 Corporate Risk Register Quarter 3

The Committee received a confidential report which set out the Council's 2018/19 Corporate Risk Register for quarter 3 of the financial year to enable progress on risk management to be monitored in accordance with the Committee terms of reference.

The Head of External Audit and Corporate Anti-Fraud introduced the report. In response to a question it was noted that the Corporate Risk Register was incorporated into the appropriate Directorate Risk Register and further to each Service Risk register.

RESOLVED: That the report be noted.

46. INFORMATION REPORT - Internal Audit Red Assurance Reports

The Chair vacated the Chair and the Vice-Chair presided for this item.

The Committee considered a red final red assurance report undertaken by Internal Audit as part of the 2018/19 Internal Audit Plan and two follow-ups of red or red/amber reports issued as part of the 2017/18 Internal Audit Plan to help fulfil the Committee's purpose to provide assurance to the Members of the adequacy of the Council's governance, risk management and control framework.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and drew attention to the appendices which provided an explanation of the assurance ratings and the distinction between compliance and audit.

The Committee scrutinised the review report. Members made comments and asked questions on the circumstances and processes leading to the report being undertaken which were responded to by the officers. Members were informed that all the review's recommendations had been agreed by management and that a follow-up of the implementation of the recommendations would be undertaken by Internal Audit

Councillor Perry expressed reservations about the need for the audit and its scope. He stated that some questions asked were not sufficiently answered and queried the accuracy of the conclusions as some did not mirror his

recollections at the time described. The discussion concluded with the emphasis on moving forward.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.55 pm).

(Signed) COUNCILLOR DAVID PERRY
Chair