

# **Governance, Audit, Risk Management and Standards Committee**

## **Minutes**

### **8 September 2020**

**Present:**

**Chair:** Councillor David Perry

**Councillors:** Ghazanfar Ali  
Philip Benjamin  
Amir Moshenson  
Kanti Rabadia  
Chloe Smith

**Advisers:** James Coyle

**Absent:** Dr J Kirkland  
Councillor Kairul Kareema  
Marikar

**99. Attendance by Reserve Members**

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

Ordinary Member

Reserve Member

Councillor Peymana Assad

Councillor Chloe Smith

**100. Appointment of Vice-Chair**

**RESOLVED:** To appoint Councillor Kanti Rabadia as Vice-Chair of the Governance, Audit, Risk Management and Standards Committee for the 2020/2021 Municipal Year.

#### **101. Declarations of Interest**

**RESOLVED:** To note that the Declarations of Interests published in advance of the meeting on the Council's website were taken as read and that no declarations were received at the meeting.

#### **102. Minutes**

**RESOLVED:** That the minutes of the meeting held on 21 January 2020 be taken as read and signed as a correct record.

#### **103. Public Questions**

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

#### **104. Petitions**

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

#### **105. Deputations**

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

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

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

### **Resolved Items**

#### **107. Annual Governance Statement 2019/20**

Members received a report which set out the 2<sup>nd</sup> Draft Annual Governance Statement (AGS) for 2019/20.

The Head of Internal Audit outlined the content of the report and drew attention to the section on the impact of COVID 19 on governance, the level of assurance and her opinion, as Head of Internal Audit, which was broadly the same as the previous year, that is good with improvement required in some areas. She drew Members' attention to significant governance issues in relation to the Depot redevelopment project as a significant overspend had been projected and several breaches of the Council's Financial Regulations and Contract Procedure Rules identified. Initial action had been taken and there would be a further report to Committee in October.

In response to a Member's question about the financial gap of £11.2m, the Director of Finance advised that when the Medium Term Financial Strategy (MTFS) was submitted to Cabinet in February there had been a predicted overspend of £22m. Clearly, the COVID 19 emergency had had a major impact on the Council's financial position and there was concern in terms of the legacy impact of the pandemic. Detailed analysis/work was underway with Directorates to see if cost pressures could be reduced and there was on-going work with Cabinet. The Director expressed the view that

announcements from Government in terms of the Comprehensive Spending Review were likely to be received much later in the year and so the preparation of the draft budget would be challenging. A report on the MTFs would be submitted to Cabinet in October and would set out some scenarios in relation to the Council's financial position pending the Government's announcement.

A Member questioned the impact of the COVID 19 pandemic on the risk register and was advised that the last risk register had been for quarter 4 and that there had been a delay in terms of quarters 1 and 2. A report would be submitted to the next meeting of the Committee.

In terms of the conclusion in the report that there was good governance, a Member sought details of the work done in order to form this opinion and explained that his experience differed from the evidence provided (paragraph 6.16 on page 77) and undertook to forward his comments to the officer. The Member also requested that he be provided with the self-assessments undertaken for the bodies/trading companies.

A Member questioned the differing governance arrangements for bodies/ Trading companies such as Concilium Assets LLP. The Director of Finance undertook to forward the initial Cabinet report which established the LLP to the Member.

**RESOLVED:** That the Annual Governance Statement 2019/20 be recommended for approval by the Leader of the Council and Chief Executive.

#### **108. Draft Statement of Accounts 2019-20**

Members received a report which set out the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20.

The Director of Finance introduced the report and advised that that the Accounts were currently being audited by the external auditors. A report would be submitted to Committee in October advising of the formal external audit opinion.

In response to a Member's question, officers explained the budget process and the link between the Budget and the Statement of Accounts. This covered the Narrative Report, the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS), the Expenditure and Funding Analysis (EFA) and the breakdown of adjustments such as depreciation.

Members asked a number of detailed technical questions which were duly responded to as follows:-

- the officer explained that much higher fair value related to loans in note 5.14 (£427m carrying amount compared to £832m fair value) and was due to changes in interest rates since the loans had been taken out. Since interest rates were now very low, the Council would have to pay

a large premium if it wanted to sell the loans on the open market or redeem them early;

- a Member sought clarification in terms of the Council's increased level of borrowing, £76m, and whether this had been used to repay outstanding loans. The Director of Finance undertook to provide a written response;
- in terms of the valuation of assets and the impact of COVID-19, the officer advised that whilst provision was not made for the risk that the value of buildings and investments might decrease after the balance sheet date, the risk that this might happen was recognised in the accounts in note 5.3;
- the Pension Fund liabilities changed year on year and were calculated by an actuary. There was a funding strategy for the Pension Fund and the Council was required to set out how the pension fund would remain fully funded for 20 years. The Director acknowledged the Member's concern at the increasing liabilities in terms of the fund but reassured the Committee that the Council would meet its obligations;
- in response to a question in relation to the level of interest on borrowing and whether it would be possible to move to cheaper loans, the Director explained the breakdown of interest payments and Minimum Revenue Payments (MRP) and undertook to confirm the interest cost breakdown to the Member in writing;
- a Member sought reassurance that £43m (note 5.7) was a satisfactory level of earmarked reserves and was advised there was, in addition, a £10m General Fund usable reserve – the Council were at the lower level of General Fund reserves when compared with other London local authorities.

**RESOLVED:** That the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20 be noted.

#### **109. INFORMATION REPORT - Internal Audit and Corporate Anti-Fraud Year-End Reports 2019/20**

Members received a report which set out the 2019/20 year end reports for Internal Audit and the Corporate Anti-Fraud Team and included the Head of Internal Audit's overall audit opinion on the control environment.

The Head of Internal Audit introduced the report and advised that she was pleased with the performance of the Audit and Corporate Anti-Fraud Teams. She drew attention to the Head of Internal Audit opinion and advised Members of a correction in that there was not one more significant governance gap identified last year; it was a different one. She explained that the COVID 19 pandemic had impacted on audit work and that there would be fewer audit days this year and that the Internal Audit Plan would be reported to Committee in October.

Members then considered the Internal Audit element of the report. In response to a Member's question in relation to the significant weaknesses reported on IR35, the Head of Internal Audit reported that this related to contractors/ temporary staff.

In response to a Member's question, the Head of Internal Audit confirmed that follow ups were undertaken until the reassessed assurance was at least Amber and that this was due to resources. She advised that whilst noting the Member's concern that some recommendations had not been implemented, the management team had accepted them and it might just be that, due to other understandable priorities this year, they had not been acted on at the time of the follow up.

Members considered the corporate anti-fraud element of the report. The officer explained that the data matching exercise was carried out by the Cabinet Office and any potential impacts of a match with another organisation would be raised with the relevant organisation. In terms of fraud referrals and savings, looking back to the risks identified in the previous year would lead officers to divert resources as appropriate. Potential impacts would feature in the Corporate Anti-Fraud Plan for the forthcoming year. This year, grants in relation to COVID 19 would feature in the Plan and fraud in relation to Housing and Right to Buy continued to be priorities.

The Chair welcomed the positive Audit opinion and direction of travel and acknowledged the transparency of the report in that it set out where the Council both did and did not achieve its targets/ implement recommendations.

**RESOLVED:** That the Internal Audit and Corporate Anti-Fraud Year-End Reports 2019/20 be noted.

## **110. Annual Health and Safety Report**

Members agreed to consider an urgent report for the reasons set out on the supplemental agenda and which summarised the Council's health and safety performance for the year 1 April 2019 to 31 March 2020. The report also provided an update of activities and gave information on outcome measures – training, audits and accidents, information about Occupational Health, the Health & Safety Strategy, Corporate Health and Safety Plan and Policy.

The officer outlined the content of the report in detail and responded to Member's questions as follows:-

- The Council had only one new high rise building, built approximately two years ago, with no fire risk to cladding. If Members had concerns about a particular building they should contact the relevant Housing Officer;
- the Council's Assure system ensured that all health and safety information was captured/ recorded in one place;

- there was a statutory requirement to undertake asbestos surveys for all of the Council's buildings;
- a fall from height could be as a little as one inch in terms of reporting but may more accurately be referred to as a slip or trip.

**RESOLVED:** That

- (1) the Accidents and Incidents report be noted;
- (2) the Health & Safety Strategy and corporate health and safety plan, as set out in Appendix 4 to the report, be noted;
- (3) the approved annual Health & Safety Policy, as set out in Appendix 6 to the report, be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.36 pm).

(Signed) Councillor David Perry  
Chair