

Governance, Audit, Risk Management and Standards Committee

Minutes

1 December 2020

Present:

Chair: Councillor David Perry

Councillors: Ghazanfar Ali
Peymana Assad
Philip Benjamin
Kairul Kareema Marikar
Amir Moshenson
Kanti Rabadia

**External
Auditors:** Bob Neate
Lucy Nutley
Mazars
Mazars

123. Attendance by Reserve Members

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

124. Declarations of Interest

RESOLVED: To note that:

- (1) the Declarations of Interests published in advance of the meeting on the Council's website were taken as read; and
- (2) the following interest was declared at the meeting:
 - a) Councillor Kairul Kareema Marikar declared a non-pecuniary interest in that she was an investor in businesses in Harrow. She

would remain in the meeting whilst financial matters were being considered.

125. Minutes

RESOLVED: That, the minutes of the meeting held on 22 October 2020 be taken as read and signed as a correct record, subject to the addition that Councillor Kantilal Rabadia's queries had not been responded to.

126. Public Questions

RESOLVED: To note that no public questions were received.

127. Petitions

RESOLVED: To note that no petitions were received.

128. Deputations

RESOLVED: To note that no deputations were received.

129. References from Council and other Committees/Panels

RESOLVED: To note that there were none.

Resolved Items

130. FRC Report on Quality of Public Sector Auditors

Members received the Financial Reporting Council – Audit Quality Inspection Report on Local Audits.

The report outlined the recent Financial Reporting Council's (FRC) report on the quality of local audits of 2018-2019.

The FRC had issued a report in October 2020 on the "Major Local Audits – Audit Quality Inspection". This was the first time the FRC had reported publicly on major audit quality. The scope was to review both the quality of the audit of financial statements and the conclusion on arrangements to deliver value for money.

The assessments were carried out between December 2019 and September 2020.

The Council's external auditors, Mazars, responded to the FRC's findings.

In the discussion that ensued, Members highlighted the following issues:

- a) the FRC had reported that their assessment of the quality of the two Financial Statement Audits undertaken by Mazars warranted a conclusion of significant improvement required;

- b) Members challenged Mazars on its performance issues arising from the FRC's findings; and the potential impact on the work undertaken by Mazars on the Council's Financial Statements;
- c) Members had read Mazars response to the FRC's findings and welcomed their commitment to improving the quality of their external auditing work at Harrow; and
- d) officers were urged to stay in regular contact with Mazars about the improvements to its working practices.

Mazars acknowledged that the FRC's findings fell below their standards of professionalism, and endeavoured to address the shortcomings identified. They had taken the criticisms seriously.

Furthermore, Mazars would provide an update on the progress made in addressing the concerns in six months' time.

RESOLVED: That the report be noted.

131. Information Report - Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Members received the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting Report.

The report presented the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting Report.

The report was also known as the "Redmond Review".

Local Government in England was responsible for 22% of total UK public sector expenditure. It was essential that local authority financial reporting was of the highest level of transparency to allow taxpayers to understand how their money was being spent. The responsibilities for the framework within which local authority audits were conducted was the Local Audit and Accountability Act 2014. This effectively led to the abolition of the Audit Commission and its centralised performance and inspection regimes. A new localised audit regime, refocussing local accountability on improved transparency, has now been put in place.

The report made 13 recommendations to External Audit Regulation. Three were in relation to Smaller Authorities Audit Regulation (not relevant to Harrow), two were in relation to Financial Resilience of Local Authorities, and five in relation to Transparency of Financial Reporting. The implementation of the Review's recommendations would, in part, require regulatory or legislative change.

RESOLVED: That the report be noted.

132. **Draft GARMS Committee Annual Report 2019/20**

Members received the draft Governance, Audit, Risk Management and Standards (GARMS) Committee Annual Report 2019/20.

This was in compliance with the requirements of the GARMS Committee's Terms of Reference.

RESOLVED:: That the Committee:

- a) considers the draft report at Appendix 1;
- b) provides any comments/changes required to the report;
- c) agrees any recommendations the Committee may wish to make as part of the report;
- d) delegates to the Head of Internal, following consultation with the Chair, the production of a foreword be added to the report; and
- e) agrees, subject to the above, for the report to be presented to Council.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.03 pm).

(The video recording of this meeting can be found at the following link:
<https://www.harrow.gov.uk/virtualmeeting.>)

(Signed) Councillor David Perry
Chair