

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

## **Minutes**

### **22 October 2020**

**Present:**

**Chair:** Councillor David Perry

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

**Apologies received:** Mr J Coyle – Adviser

**111. Attendance by Reserve Members**

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

**112. 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 that no declarations were received at the meeting;
- (2) Members who had declared interests remained in the virtual meeting whilst the matters were considered and voted on.

**113. Minutes**

**RESOLVED:** That the minutes of the meeting held on 8 September 2020, be taken as read and signed as a correct record.

**114. Public Questions**

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

**115. Petitions**

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

**116. Deputations**

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

**117. References from Council and other Committees/Panels**

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

**Resolved Items**

**118. Statement of Accounts 2019-20**

The Committee received a report of the Director of Finance and Assurance, setting out the audited Statement of Accounts for 2019-20 which were subject to the issue of the audit opinion. The Committee also received appendix 3 for the reasons set out in the supplemental agenda.

The Chair welcomed Lucy Nutley (Director) from Mazars LLP, the Council's external auditor who had prepared detailed reports on matters arising from the audit of the Statement of Accounts and the Pension Fund Annual Report.

Lucy Nutley referred to the Executive Summary on page 202 of the agenda and outlined the key messages, including that Mazars LLP anticipated issuing an unqualified opinion on the financial statements. An Emphasis of Matter paragraph would be included within the auditor's report with respect to the material valuation uncertainties regarding land and building valuations and pension fund property investments, which the Council intended to disclose in the financial statements. In due course, communication would be sent to the Chair of the Committee and it was expected that the external auditor would be in a position to issue an unqualified opinion with no financial adjustments considered necessary.

Members' attention was also drawn to page 205 of the agenda and Lucy Nutley identified the risks which were considered to be significant – management override of controls, revenue recognition, property plant and equipment valuation, and defined benefit liability valuation – which had required special audit consideration. She also explained why materiality had

been applied on the Pension Fund Valuation and she expected that a majority of local authorities would be in a similar position.

Lucy Nutley referred to the approach taken to Value for Money, details of which were set out at pages 213 onwards of the agenda. Mazars intended to issue an unqualified Value for Money conclusion on the financial year 2019-20. She added that financial sustainability for 2020-21 would be key but, in common with all local authorities, Harrow Council would be refreshing its Medium Term Financial Strategy (MTFS).

Lucy Nutley also referred to page 228 of the agenda and reiterated that Mazars LLP intended on issuing an unqualified opinion on the Pension Fund financial statements although it would include an Emphasis of Matter with respect to valuation uncertainty of property investments that the Pension Fund intended to disclose in the financial statements, as set out on page 232 of the agenda. She referred to the risks identified at pages 231 and 232 of the agenda – management override of controls and valuation of unquoted investments.

Members asked questions on both the Statement of Accounts and the Pension Fund. Lucy Nutley informed Members that Mazars LLP were required to report to the Committee on the issue of 'going concern' and whether this was appropriate or not. Mazars LLP had also carried out its own risk assessment which was not related to the Council's corporate risk assessment. She added that in respect of the question on whether the Council could be seen to be able to operate as a 'going concern', more work would be undertaken as a result of the pandemic and changes in the auditing standards. She had discussed the issues with the Director of Finance. She added that all local authorities had the facility to borrow money from the Public Works Loans Board (PWLB) if required. She had checked on the Council's bad debts and the collection of Council Tax and, whilst more work was required by Mazars in these areas, she remained confident that the Council would be able to operate as a 'going concern'. All aspects would be reviewed before the accounts were signed off by the external auditor. Any good practice amongst local authorities was normally shared by the Councils and auditors.

The Committee was assured that Mazars LLP would consider if there was a need for disclosing a post balance sheet event in relation to any risks on asset valuation and investments which may fluctuate. Lucy Nutley added that the Council had reserves that it could draw on, including from the General Fund. The Director of Finance added that £10m was available from the General Fund Reserves and that another £10m was available from previously earmarked reserves. The monies would be called on should there be a need to balance the budget. The Director of Finance undertook to provide the relevant information on reserves to Members, including information represented on the balance sheet.

In response to an additional question from a Member, Lucy Nutley informed Members that the Council had planned its borrowing and there had been no indication of any breaches of any policies. She undertook to provide further information in relation to a question on pension liability and whether there had

been a gain. She assured Members that the accounts had been well prepared and no management weaknesses in processes had been identified but that any such matters would be brought to the attention of the Committee if required. A Member thought this to be unusual given the impact of the pandemic to the economy.

Lucy Nutley responded to additional questions on the Pension Fund and the triannual valuation which she stated had been done as at 31 March 2019 and reported on later in March 2020. She explained that in completing the valuation, the actuaries follow a code of practice developed and published by the National Audit Office (NAO) and Price Waterhouse Coopers (PWC). The actuary provided assurances to the auditor that they had applied the code reasonably in making their assumptions.

**RESOLVED:** That, having considered the draft Audit Completion Reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2019-20 and the Pension Fund Annual Report 2019-20,

- (1). the audited Statement of Accounts 2019-20 be approved and the Chair be authorised to sign the accounts;
- (2). the Pension Fund Annual Report 2019-20 be noted;
- (3). the Director of Finance and Assurance, following consultation with the Chair, be authorised to make any final amendments to the Statement of Accounts 2019-20 and Pension Fund Annual Report 2019-20 arising from the external audit prior to the signing by the auditor;
- (4). the Summary Statement of Accounts 2019-20 be noted.

#### **119. Internal Audit and Corporate Anti-Fraud 2020/21 Annual Plans**

Members received a report of the Director of Finance and Assurance, which set out the Internal Audit and Corporate Anti-Fraud Plans for 2020/21 for review and approval.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report in brief and explained the purpose of the Internal Audit Plan and the Corporate Anti-Fraud Plan, as set out in the report, and invited comments and questions from Members. She added that some reviews from 2019/20 had been carried forward and the report included reference to the support provided by internal audit and the Corporate Anti-Fraud Team in the process developed for assessing applicants for business grants as part of the Covid-19 pandemic.

The Head of Internal Audit stated that her team had been challenged due to the resources available within the team. She alluded on the changes made in order to allow for a different approach in order to adapt to the new challenges brought about by the pandemic.

The Corporate Anti-Fraud Service Manager explained how the pandemic had impacted on the work of the team, which had resulted in the stopping of face to face interviews with residents/businesses and door-to-door visits.

However, an ambitious plan had now been put in place and he was confident that the team would be able to deliver it. It was intended to resume visits once a risk assessment had been carried out and in order to comply with the legislation governing criminal investigative activity. He added that there had been a change in tact and that, instead of relying on the CIPFA Code, the team would rely on best practice and checklist in line with the new Local Government Strategy and implement an action plan to fill in any gaps.

Both officers responded to various questions from Members and explained the systems available to them to help in relation to investigate fraud, whilst ensuring that checks and balances were in place to ensure that the impact on individuals was minimised. They explained that the assurance on Government Grants would be based on sample testing of payments made and any fraud identified referred to CAFT for investigation. Sampling would be extended if issues were identified and the fraud hotline was available for people to report fraud. The officers responded to questions on how fraud/risk had been adjusted due to remote working by staff and whether protocols were being observed. It was pointed out that this was a management responsibility however if risks increased such matters would be considered for inclusion in the Risk Registers. The targets set in respect of the CAFT Key Performance Indicators (KPIs) at page 262 of the agenda had not been increased as a result of the pandemic, as it was expected that the targets would have been missed.

**RESOLVED:** That the Internal Audit and Corporate Anti-Fraud Plans 2020/21, Internal Audit Charter 2020/21 and the Internal Audit and CAFT Covid-19 Working Strategies be approved in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.

## 120. Exclusion of the Press Public

**RESOLVED:** That the press and public be excluded from the meeting for the following agenda items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
12.	INFORMATION REPORT – Internal Audit Red Assurance Reports	Exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
13.	INFORMATION REPORT - Q1/Q2	Exempt from publication under paragraph 3 of Schedule 12A to the

	2020/21 Corporate Risk Register	Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
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The broadcasting of the meeting was also stopped at the stage of the meeting when the Committee move into a private session to consider the confidential reports..

## 121. Information Report - Internal Audit Red Assurance Reports

The Committee received a confidential information report of the Director of Finance and Assurance, which presented a final red assurance report undertaken by Internal Audit as part of the 2020/21 Internal Audit Plan and reported as a Significant Governance Gap in the 2019/20 Annual Governance Statement presented to the Committee in September 2020. The report was presented to help fulfil the Committee's purpose to provide assurance to 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 together with the Corporate Director of Community and the Director of Finance. They responded to detailed questions from Members of the Committee.

A Member also asked how the Committee could provide support for large projects to help avoid similar situations from happening and whether it could help review the governance models for large projects. The Chief Executive reported that the Council's governance systems were good but there had been an issue of culture. Members were robust in their questioning and were informed that there was no breach of the law which the Council would have pursued if this had been evident.

The Chief Executive provided assurance that the Council had worked hard to improve the culture of the organisation, which had been dysfunctional. Governance had been strengthened and appropriate action had been taken to improve various controls and mitigate risk.

The Chair requested that a report be submitted back to the Committee setting out how the recommendations of Internal Audit had been implemented. He thanked the Head of Internal Audit for a comprehensive and transparent report.

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

## 122. Information Report - Q1/Q2 2020/21 Corporate Risk Register

The Committee received a confidential information report of the Director of Finance and Assurance, which set out the Council's 2020/21 Corporate Risk Register for Quarters 1 and 2 of the financial year to assist the Committee in

monitoring progress on risk management in accordance with its Terms of Reference.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and explained that, due to the pandemic, this was the first Risk Register report for the current financial year and therefore combined both Quarter 1 and Quarter 2. She added that the report alluded to providing additional detail in the Quarter 3 Risk Register report, which would be submitted to the January 2021 meeting of the Committee. The report would reflect on the continuing impact of Covid-19 on other services areas.

The Chair welcomed the report, which he considered to be robust and transparent.

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

(Note: The meeting, having commenced at 6.30 pm, closed at 9.15 pm).

(Signed) Councillor David Perry  
Chair