

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

## 2 APRIL 2014

**Chairman:** † Councillor Richard Romain

**Councillors:**

* Kam Chana (2)	* Amir Moshenson
* Mano Dharmarajah	* Varsha Parmar
* Tony Ferrari (1)	* Sachin Shah
* Kairul Kareema Marikar	(Vice-Chairman in the Chair)

\* Denotes Member present  
(1) and (2) Denote category of Reserve Members  
† Denotes apologies received

[Paul Schofield, Sybil Muller and Rimit Shah attended as representatives of Deloitte, the Council's Auditors.]

### 273. Attendance by Reserve Members

**RESOLVED:** To note the attendance of the following duly constituted Reserve Members:

Ordinary Member

Councillor Richard Romain  
Councillor Chris Mote

Reserve Member

Councillor Tony Ferrari  
Councillor Kam Chana

### 274. Declarations of Interest

**RESOLVED:** To note that the following interests were declared:

Agenda Item 7 – References from Cabinet and Agenda Item 10 – Risk Based Verification

Councillor Tony Ferrari declared a non-pecuniary interest in that as the Portfolio Holder for Finance and Performance, the decisions reported on fell within his remit. He would remain in the room whilst the matters were considered.

#### **275. Minutes**

**RESOLVED:** That the minutes of the meeting held on 19 December 2013 be taken as read and signed as a correct record.

#### **276. Public Questions, Petitions & Deputations**

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

### **RESOLVED ITEMS**

#### **277. Reference from Cabinet Meeting - 13 February 2014 - Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15**

The Committee received a Reference from Cabinet on the Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15 Report, with a request to review and comment on the report.

The Director of Finance and Assurance informed the Committee that Harrow's Treasury Manager had secured the best return on cash deposits for any London Borough. The Chair congratulated both the current and previous Managers for their achievement, noting that they had had the support and input of the Committee in doing so.

The Chair further noted that this report had come to the Committee following its submission to Cabinet and Council, and requested that it come first to this Committee in advance of its submission elsewhere, in order that the Committee's views could be noted and recorded.

**RESOLVED:** That

- (1) the Reference from Cabinet be noted;
- (2) next year's Treasury Management Report should be considered by Governance, Audit and Management Committee prior to its submission to Cabinet and Council.

#### **278. Reference from Cabinet - 13 February 2014 - Final Revenue Budget 2014/15 and Medium Term Financial Strategy (MTFS) 2014/15 to 2016/17**

The Committee received a Reference from Cabinet on Appendix 7 to the Final Revenue Budget 2014-15 and Medium Term Financial Strategy 2014-15 to

2016-17 Report, with a request to consider and monitor the Budget Risk Register.

The Director of Finance and Assurance informed the Committee that the Budget Risk Register comprised 32 separate risks and proposed mitigation measures. In his view all risks were covered.

Members discussed whether the assessed level of risk was too high in respect of certain categories, and to what degree it was possible to predict the impact of welfare reform policies and the expected level of parking revenue.

The Chair commented that the figures quoted for Contingencies were incorrect. The Director of Finance and Assurance agreed to amend the figures and circulate a correct version.

**RESOLVED:** That the Reference from Cabinet be noted.

## **279. Information Report - Audit Plan 2013-14**

The Committee received the report of the Director of Finance and Assurance with the Accounts Audit Opinion Plan 2013-14 and the Pension Fund Annual Report Audit Plan 2013-14 appended.

Paul Schofield of Deloitte informed the Committee that, following a tender exercise, the successful bidders for public audit functions had been named as KPMG, BDO and Ernst and Young. Deloitte would continue as the Council's auditors for the current and next municipal year, but after that a new auditor would be appointed to Harrow by the Audit Commission.

Sybil Muller of Deloitte outlined the contents of the Accounts Audit Plan, and highlighted key features, including:

- changes in the statement of accounts;
- significant audit risks;
- the value for money conclusion
- fraud: responsibilities and representations;
- management override controls;
- the timetable;
- independence and fees.

In response to a query from the Chair. It was confirmed that the capital overspend was no longer considered to pose a significant risk, particularly as a result of work following the overspend at Whitmore High School.

Rimit Shah of Deloitte outlined the Pension Audit Plan and highlighted key features, including:

- the reduction in investment in equities;
- the appointment of two, new fund managers;
- unquoted investments present a more challenging audit
- independence and fees.

He was unable to answer questions on the current balance of the fund in respect of recent draw downs as the audit work had not yet begun but was at the planning stage.

Members requested clarification on the following matters:

- property valuation in respect of risk, and comparison with other authorities;
- localisation of business rates;
- the Council's pension fund, expenses and liabilities.

The Chair thanked the staff of Deloitte for their reports and attendance, and proposed that the Pension Fund Annual Report Audit Plan should be referred to the next meeting of the Pension Fund Committee.

**RESOLVED:** That

- (1) the 2013-14 Accounts Audit Opinion Plan and Pension Fund Annual Report Audit Plan be noted;
- (2) the Grants Certification Report for 2012-13 be noted;
- (3) the Auditors' decision to remove 'capital overspend' from the stated significant risks be noted;
- (4) the Pension Fund Annual Report Audit Plan be referred to the first meeting of the Pension Fund Committee in the new municipal year.

#### **280. Information Report - Corporate Anti-Fraud Team Draft Fraud Service Plan 2014-15**

The Committee received the report of the Director of Finance and Assurance which set out the draft Fraud Service Plan 2014-15, and contained two information reports from the Audit Commission.

An officer explained that, in drafting the Plan, officers considered existing evidence, statutory responsibilities, and nationally identified areas of risk.

He then updated the Committee on the work and outcomes of the Anti-Fraud Week, which had taken place for the first time in Harrow during 2013. Some Committee Members had been involved in the various exercises, and they described their experiences, which they all considered had been worthwhile. The officer answered questions on the following:

- how target offenders were identified and selected;
- the role of partner agencies and the scope of their involvement;
- establishing the criteria for worthwhile prosecution;

- the potential and criteria for recovering losses, particularly in respect of 'proceeds of crime' cases.

The officer also described the information sharing carried out across London boroughs, which assisted in focussing on targets, and identifying serial offenders.

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

### **281. Information Report - Risk Based Verification**

The Committee received the report of the Head of Collections and Benefits which provided information on the policy and monitoring processes for risk based verification.

An officer informed the Committee that the scheme would be implemented from April, and she outlined the expected benefits and savings. Existing validation processes would continue alongside the system verification for the first 4 months, which would allow monitoring by comparison and assurance that the system was working.

The Chair concluded that the process would allow targetting of resources and was a positive step forward.

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

### **282. Draft Internal Audit Plan 2014-15**

The Committee received the report of the Director of Finance and Assurance which set out the draft Internal Audit Plan and the process used to develop the draft Plan.

An officer described the drivers, considerations and consultation involved in drafting the Plan and invited comments.

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

### **283. Information Report - Governance Update**

The Committee received the report of the Director of Finance and Assurance which outlined progress against the Council's Annual Governance Statement (AGS) Action Plan for 2012/13, developed to address the governance gaps identified by the annual governance review process.

An officer informed the Committee that 14 of the 19 actions had been completed, 2 were in progress, and 3 were outstanding. The outstanding items would be carried over to the next Action Plan.

Members commended the officer on the structure and clarity of the report.

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

## 284. Exclusion of the Press and 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 items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
15.	Corporate Risk Register	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
10.	Risk Based Verification – Appendix 1	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

## 285. Corporate Risk Register

The Committee received the report of the Director of Finance and Assurance which set out the Council's current Corporate Risk Register to facilitate the monitoring of progress on risk management in accordance with their Terms of Reference.

An officer drew Members' attention to the highest risk items, and the cross referencing of items to directorate risk registers. She clarified the overlap between the strategic appetite for risk and the operational tolerance for risk.

Members considered whether some risk assessments were rated too highly, as certain incidents had already taken place but had not resulted in worst case scenarios. In response to a Member's view that some risks were overstated, the Director of Finance and Assurance agreed this was possible, but had resulted from the nature of analysis within the organisation. In respect of contingency plans he considered it would be possible to take different decisions going forward.

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

## 286. Item 10 - Appendix A

**RESOLVED:** That the appendix to Item 10 'Risk Based Verification' be noted.

## 287. Vote of Thanks

The Chair observed that this was the last meeting in this municipal year of the Governance, Audit and Risk Management Committee. There had been four different chairs during the life of the administration, and he wanted to thank all

four for their service. In particular, he wanted to thank Councillor Richard Romain for his many years of service to the Council and those Committees on which he had served.

He himself had served as Chair, Vice-Chair and as the Portfolio Holder with responsibility for governance, and he wanted to thank officers for their hard work in serving the Committee. In particular, he named the Head of Technical Finance and Accountancy who had provided training and information to support him in his role, along with the Head of Internal Audit, the Corporate Anti-Fraud Service Manager, the Treasury and Pensions Manager, the Corporate Director of Resources, and the three S151 officers who had served during the term. He also thanked members for their contribution to the Committee, which he believed had shown strength and purpose in holding the executive to account on governance and risk management.

(Note: The meeting, having commenced at 7.35 pm, closed at 9.15 pm).

(Signed) COUNCILLOR SACHIN SHAH  
Vice-Chairman in the Chair