

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

19 JULY 2016

Chair: * Councillor Antonio Weiss

Councillors: * Ghazanfar Ali * Barry Macleod-Cullinane
* Mrs Chika Amadi * Amir Moshenson
* Margaret Davine * Bharat Thakker

122. Attendance by Reserve Members

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

123. Declarations of Interest

RESOLVED: To note that the following interest was declared:

Agenda Item 15 – Information report – Draft Statement of Accounts 2015/16 and Pension Fund Accounts 2015/16

Councillor Antonio Weiss declared a non pecuniary interest in that he was on the governing body of Harrow College which was mentioned in the Pension Fund Accounts. He would remain in the room whilst the matter was considered and voted upon.

124. Minutes

A Member stated that he had not had sight of the legal advice referred to in Minute 110. Members acknowledged that item 10 on the agenda, Public Access to Council Reports, should provide clarification. It was further

commented that the minutes did not reflect that Members had expressed concern at the lack of consideration of Brexit in the Risk Register but noted that the Risk Register also appeared elsewhere on the agenda.

RESOLVED: That the minutes of the meeting held on 5 April 2016 be taken as read and signed as a correct record subject to noting the following:

Minute 116 – IT Contract Management Terms of Reference – Interim Report/IT Data Centre and Business Continuity and Disaster Recovery Update

Second paragraph – there had been 22 recommendations in relation to the Data Centre and 20 in relation to Business Continuity and Disaster Recovery.

125. Appointment of Vice Chair

RESOLVED: To appoint Councillor Barry Macleod-Cullinane as Vice-Chair of the Committee for the 2016/2017 Municipal Year.

126. Public Questions

RESOLVED: To note that no public questions had been received.

127. Petitions

RESOLVED: To note that no petitions had been received.

128. Deputations

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

RESOLVED ITEMS

129. References from Council and other Committees/Panels - Reference from Cabinet - 16 June 2016 - Treasury Management Outturn 2016

Members received a reference from Cabinet which sought their views on the Treasury Management Outturn 2015/16. The Director of Finance outlined the content of the report submitted to Cabinet and stated that officers were having an ongoing dialogue with Treasury Managers in relation to Brexit.

A Member questioned, in terms of outstanding borrowings and investments whether investments included funding from the Department for Education for school expansion. This was confirmed.

In terms of a Member's concern that Cabinet had not received all the information when making their decision on funding for the regeneration programme and that the Council was close to its borrowing limit, the Director of Finance responded that Cabinet had raised concerns but reiterated that it

was about affordability. Another Member questioned the prudence of additional borrowing.

Having welcomed the end of year figures with a small variation and agreed that the Director of Finance be requested to address the issue of affordability and prudence of the Prudential Indicators at the next meeting, it was

RESOLVED: That the reference be noted.

130. Treasury Management Responsibilities and the Interpretation of Treasury Management Reports.

Members agreed to receive an urgent report, for the reasons set out on the supplemental agenda, which detailed the responsibilities held by various bodies in connection with the Council's Treasury Management functions. The report also provided Members with background information which might assist in the consideration of the 2015/16 Treasury Management Outturn report and subsequent treasury management reports.

Referring to a scrutiny report in 2012 which had considered long term debt repayment plans, a Member questioned whether the Council had appropriate prudential indicators. He emphasised the importance of having the correct performance indicators and analysis in order to ensure that future borrowing was right. The Director of Finance reassured the Committee that treasury management activity was considered on a regular and on going basis and that borrowing would be at the most appropriate economic efficient level at any given time. She added that treasury management repayment opportunities could be difficult and result in significant financial penalties to the Council.

The Director of Finance advised that the Government, subsequent to Council's like Harrow "buying themselves out" of the HRA subsidy arrangements, had changed their view in terms of the rent cap. She undertook to report back to Members on this issue.

The Chair reminded Members that with so many variables in play it was necessary to prioritise what officers were requested to investigate so that there was not a focus on less important issues. Officers had given an assurance that the Council had the correct prudential indicators for future borrowing requirements.

RESOLVED: That the report be noted.

131. Public Access to Council Reports

The Committee received a report of the Director of Legal and Governance Services which set out the limited circumstances in which council papers could be withheld from the public.

In introducing the report the Director referred to the Freedom of Information Act which had resulted in many public bodies being more open with their information and advised that Harrow only had a small proportion of documents that were not available to the public. He emphasised that whilst

officers may determine that a report should be Part II / exempt with the grounds made out in the report, ultimately it was for Members to decide. However, once a matter had been placed in the public domain it would be difficult to backtrack from that position.

Members referred to discussions at previous meetings of the Committee stating that there had been inconsistencies in process as to whether information provided was public or exempt. In terms of the RIPA report, information about the collection of data was included in an exempt report which resulted in residents being unaware of the process that was being followed by the Council whereas, in contrast, the fraud report had named officers included in a public report. The Director restated that if Members took the view that grounds were not made out in a report that it should be considered in private session they could decide to move it into public. This could, however, be subject to judicial review and Members would also need to consider data protection issues. The general position taken by the Council in terms of naming of officers was that only senior officers would be named in reports and minutes.

In response to a question as to the position if Members chose to contradict an officer's decision that a report should be considered in private session which then resulted in a judicial review of the decision, the Director stated that the Council would defend the decision and the Court would look at the reasonableness of Members in determining that the matter should be considered in public. He added that the judgment in terms of being in the public interest was difficult.

RESOLVED: That (1) the report be noted and circulated to Members and the relevant officers as guidance;
(2) Members be advised that it was their decision as to whether to consider a matter in public or private session.

132. Information Report - Business Continuity /IT Disaster Recovery and IT Data Centre Follow up

Members received a report which set out the updated position of the red/amber and red assurance audit reviews that together were reported as a 'significant governance gap' in the 2014/15 Annual Governance Statement. The Head of Internal Audit reported that both reviews had now received a green assurance and that significant progress had been made.

Members expressed concern in relation to disaster recovery following issues with it the previous week. The Director of Customer Services and Business Transformation advised that when an incident such as this occurred the priority was to identify the issue and fix it. Following the incident, Sopra Steria were required to provide a root cause analysis but it was too early to have received this.

In response to a question in relation to the client team, the Director of Customer Services and Business Transformation advised that the observation of the Procurement team had been that it was smaller than had been seen elsewhere, particularly given the value of the contract. As a result, the Head of

Procurement had made a recommendation to the Director of Resources and Commercial.

A Member commented that many critical services 'hang off' IT, expressed concern that the contract did not appear to have been managed properly and questioned whether the new contract was appropriately structured to allow an escalation of issues to ensure that it worked. The Director of Customer Services and Business Transformation stated that contract provisions to terminate existed but, in considering terminating a contract, there required a judgment as to whether the disruption of continuing with a failing supplier outweighed the considerable risk and disruption of ending the relationship with immediate effect when the minimum time to transition to a new supplier was six months. There were specific new clauses in the contract that allowed for remedial action to be enforced without terminating the contract, but it would not be known whether the clauses within the new contract worked unless they had to used.

RESOLVED: That the report be noted.

133. Information Report - Internal Audit and Corporate Anti-Fraud Year end reports 2015/16

Members received a report which set out the 2015/16 year end reports for Internal Audit and the Corporate Anti-Fraud Team and included Head of Internal Audit's overall audit opinion on the control environment.

Members welcomed the report.

RESOLVED: That the report be noted.

134. Information Report - 2016/17 Final Internal Audit Plan

Members received a report which set out the 2016/17 Final Internal Audit Plan.

In response to a question as to whether there had been any breaches of cyber security, Members were advised that there had been a Malware breach on the Internal Audit department which had taken out files for four days.

RESOLVED: That the report be noted.

135. Draft Annual Governance Statement 2015/16

Members received a report which set out the Council's Draft Annual Governance Statement (AGS) for 2015/16 required to meet the requirements of the Accounts and Audit Regulations 2015. The Head of Internal Audit reported that the Statement had been updated since the previous year, although the outcome of the AGS review had not yet been included. However, at this point in time no significant gaps had been identified.

Members reviewed the draft AGS and commented as follows

- The Administration was no longer new and so this terminology was out of date;
- The whistleblowing policy had last been reviewed in 2013/14. Members were advised that there had been no changes in legislation;
- In terms of the peer review there had been issues in relation to resident engagement in that residents had been consulted before Members;

A Member reiterated his previously expressed view that the Section 151 Officer should sit at the 'top table' in order to offer more challenge. Members were advised that CIPFA had indicated that it was comfortable with the current arrangements.

RESOLVED: That the report and the comments made by Members be noted.

136. Information Report - Draft Statement of Accounts 2015/16 and Draft Pension Fund Accounts 2015/16

Members received a report of the Director of Finance which set out the draft Statement of Accounts for 2015/16. The Director invited Members to submit any comments and undertook to provide a two page summary document of the accounts.

Members made comments and asked questions which were responded to as follows:

- The savings of £53m related to 3 years;
- In terms of infrastructure asset classification, this consisted of the road network;
- Investment properties had now been reclassified as regeneration;
- The loan to the long term debtor West London Waste Authority had been made in tranches and there had been some additional accrued interest. The loan had been agreed, alongside loans from three other boroughs, for the development of a waste facility in the west country.

RESOLVED: That the report be noted.

137. 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 item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
17.	Information Report – 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)).

138. Information Report - Corporate Risk Register

Members received a confidential report which set out the Council's 2016/17 Quarter 1 Corporate Risk Register to assist the Committee in monitoring progress on risk management in accordance with their terms of reference.

Members requested sight of the paper on Brexit risks referred to by the Chief Executive at the meeting of the Overview and Scrutiny Committee held on 12 July 2016 prior to the next meeting of the Committee. Further, the Director of Finance undertook to circulate the paper on homelessness more widely and also to provide an explanation of some of the scenarios which factored into the risk register.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.31 pm).

(Signed) COUNCILLOR ANTONIO WEISS
Chair