

# **GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES**

## **6 DECEMBER 2016**

**Chair:** \* Councillor Antonio Weiss

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

\* Denotes Member present

† Denotes apologies received

### **149. Attendance by Reserve Members**

Apologies were received from Councillor Chika Amadi. No Reserve Members had been appointed.

### **150. Declarations of Interest**

No declarations of interest were made.

### **151. Minutes**

**RESOLVED:** That the minutes of the meeting of the Committee held on 8 September 2016 be taken as read and signed as a correct record.

### **152. Public Questions, Deputations and Petitions**

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

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

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

**154. Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2016-17**

The Committee received a report on the Treasury Management Mid-Year review for 2016-17 which was introduced by the Director of Finance.

During discussion of the report, the following principal points were noted in response to comments and questions from individual Members:

- a) Referring to the difference between the estimate and forecast outturn of the “net financing need” in respect of housing rents (Table 12), it was confirmed that this related to additional borrowing authority for the Housing Revenue Account.
- b) A request was made to provide information on forecasts looking over the same periods so that Members could make more direct comparisons; for example, some tables of data in the report covered up to 2016-17 while others forecast to 2019-20. Officers advised that other data had been sent separately to GARMS following their last meeting providing the requested information in respect of the Regeneration Programme. The purpose of the mid year report is to focus on 2016/17 hence data lighter than other reports.
- c) A Member asked about the likely impact of the Markets in Financial Instruments Directive II (MiFID II), which in his opinion, would pose significant challenges. The impact of MiFID II would be assessed.
- d) Referring to Table 11 (Incremental Impact of Capital Investment Decisions – Council Tax), the Director of Finance undertook to provide the information with the Council Tax and precept/levy information analysed separately.
- e) Referring to Table 6 (Changes to Gross Debt), a Member pointed out that gross debt levels were at about 80% of the capital financing requirement. Officers advised that the overall capital programme contained many other financing elements such as capital grants and revenue contributions to capital. With respect to the gap between the capital financing requirement and gross debt, the Council tended to use a figure of about £30m as working capital. Importantly, there was close monitoring of capital receipts and other contributions, so that the financing requirements of the capital programme was under constant review.

**RESOLVED:** That the Treasury Management Mid-Year review for 2016-17 be noted and that the comments made at the meeting be referred to the Cabinet.

**155. INFORMATION REPORT - Report detailing the review of the Corporate Anti-Fraud and Corruption Strategy**

The Committee received a report on the Corporate Anti-Fraud and Corruption Strategy which was introduced by the Corporate Anti-Fraud Service Manager.

In response to a Member's question about the level of resources for this work, the Corporate Anti-Fraud Service Manager accepted that while additional resources would always be welcome in developing and implementing appropriate controls across the organisation, the financial pressures on the Council were well-known and there was a requirement to be realistic and proportionate about this. Significantly, there was now greater resilience and improved controls under new arrangements for delivery of the service.

The Member also enquired about controls to ensure that there was appropriate conduct in respect of some of the very substantial contracts involved in the Regeneration Programme, particularly around the decisions on relevant planning applications. It was explained that the risk register tracked such risks and separate procurement fraud work was also carried out; officers would consider Regeneration Programme projects in future plans.

Another Member was interested in whether the staff group changes had led to a greater focus on developing preventative controls as opposed to having to identify and investigate specific frauds. Officers confirmed that the principal benefits of the merger of staff groups was in the improved coordination of activity with the identification of fraud risks more readily impacting on controls.

The Member suggested that it would be useful to analyse actual instances of fraud so that the dimensions of fraud activity and its distribution across different areas of service could be better understood. Officers confirmed that this information was logged and was reflected in mid-year and full-year reports.

In response to a Member's query about staff and Member training, it was explained that a new programme for staff was in hand and there were also plans to engage with Members at their group meetings. The Member considered that it was important for these efforts to address new fraud activity using technology.

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

**156. INFORMATION REPORT- Annual Audit Letter 2015/16**

The Committee received a report on the Annual Audit Letter for 2015-16 which was introduced by the Director of Finance.

In response to a Member's question, it was confirmed that the outstanding objection to the 2014-15 accounts, which related to Pinner Park Farm, had been resolved.

The Member also queried whether or not the Council accepted the auditor's judgement that the treatment of some Pension Fund transactions was not

“fully compliant” with the relevant Regulations, and in particular whether the reasons for this were fundamentally about the cost of changes. Confirming that the Pension Fund Committee had considered the matter, the Director of Finance advised that efforts were made to minimise the transactions outside the specific Pension Fund bank account, but in any event, there were monthly reconciliations which closely tracked relevant transactions and therefore all the funds were accounted for. The Member suggested that the reconciliations should be signed off by staff other than the Director of Finance. The Director of Finance would document the reconciliations, sign off arrangements, and send relevant information to the members of the Committee.

A Member queried the auditor’s view that there was “adequate challenge and monitoring” of savings targets given that the recent Local Government Association Peer Review of the Council had suggested that Member-level scrutiny should be improved. The Director of Finance outlined the various mechanisms for monitoring savings, including the work of commissioning panels, and underlined that the professional audit opinion of the processes was as set out in the Annual Audit Letter. She reminded the Committee that KPMG representatives had attended the last meeting when the monitoring of savings had been discussed directly with them.

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

**157. INFORMATION REPORT - Changes to arrangements for appointment of External Auditors**

The Committee received a report on Changes to Arrangements for the Appointment of External Auditors which was introduced by the Head of Internal Audit.

Two Members suggested that there might be more advantage for the Council in considering Option 1, the direct standalone appointment, and they felt that it would be helpful to understand the likely costs of that option more clearly. The Head of Internal Audit advised that it was very difficult to estimate the costs involved, but it was almost certain that it would cost more than the other options and would involve the complications and cost of setting up an independent auditor panel. In response to another Member’s question, she confirmed that the recommended sector-led body option would not be restricted to one firm of auditors, but would be packaged so that a range of accredited companies were allocated across the councils subscribing to the service. It was understood that subscription to, and continuation in, the sector-led body service provided by Public Sector Audit Appointments Ltd. would not be dependent on membership of the Local Government Association.

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

**158. EXCLUSION OF 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>
14.	Information Report – Corporate Risk Register, Quarter 2, 2016-17	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
15.	Information Report – Internal Audit/Corporate Anti-Fraud Team Update: Oral Report	Information under paragraphs 1 (contains information relating to any individual) and 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

#### **159. INFORMATION REPORT - Corporate Risk Register: Quarter 2, 2016/17**

The Committee received a report on the Corporate Risk Register (Quarter 2, 2016-17) which was introduced by the Head of Internal Audit.

A Member referred to addressing wider risks associated with national economic trends and regulatory changes. It was explained that individual service managers were expected to track impending legislative changes and assess possible impacts; the risks were also moderated by the Corporate Strategic Board which considered broader national trends and risks. The Head of Audit confirmed that the possible risks to the Regeneration Programme raised by a Member is in relation to the impact of the Markets in Financial Instruments Directive II (MiFID II) during discussion of an earlier agenda item, would be considered by officers.

Another Member asked about the response to the significant risk identified in relation to homelessness which could amount to £2m. The Director of Finance advised that a £2m reserve had been established during the 2015/16 outturn process (£1m Welfare Reform Reserve and £1m Local Enterprise Partnership funding which was no longer top-sliced).

A Member registered his disappointment at the response to Brexit risks as outlined in the report, which he considered a short-term perspective which failed to address legislative and procurement changes and the implications in respect of EU nationals leaving the country. The Chair agreed that the longer-term issues should also be considered as the implications for Brexit became clearer.

A Member sought clarification of the number of new homes being supported by the Council. It was confirmed that this would be 100 homes spread over two or three financial years and that over 50 had already been secured. The Director of Finance would ensure that the up-to-date figures were provided to Committee members.

A Member suggested that the grading of risks in the register could be revised so that there was greater differentiation since currently most of the risks appeared to cluster at the most serious level. It was confirmed that this point would be considered in the context of the new strategy which had been drafted.

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

**160. INFORMATION REPORT - Internal Audit/Corporate Anti-Fraud Team Update: Oral Report**

The Head of Internal Audit reported orally to the Committee on the work of the Internal Audit and Corporate Anti-Fraud Teams, presaging the mid-year report which would be brought to the next meeting. She gave the Committee information on two cases which were being investigated and were having a significant impact on planned work.

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

(Note: The meeting, having commenced at 7.35 pm, closed at 9.11 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair