

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

## **5 SEPTEMBER 2017**

**Chair:** \* Councillor Antonio Weiss

**Councillors:** \* Ghazanfar Ali \* Amir Moshenson  
\* Maxine Henson Mrs Rekha Shah  
\* Barry Macleod-Cullinane \* Bharat Thakker

\* Denotes Member present

### **191. Attendance by Reserve Members**

**RESOLVED:** To note that no apologies had been received and no Reserve Members had been appointed.

### **192. Declarations of Interest**

**RESOLVED:** To note that there were no declarations of interests made by Members.

### **193. Minutes**

**RESOLVED:** That the minutes of the meeting of the Committee held on 18 July 2017 be taken as read and signed as a correct record.

#### **194. Public Questions, Petitions or Deputations**

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

#### **195. References from Council and other Committees/Panels**

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

### **RESOLVED ITEMS**

#### **196. Statement of Accounts 2016-17**

The Committee received a report on the audited accounts for the Council for the 2016-17 financial year; this included the expected opinion of the external auditors, KPMG, on the accounts. An officer reported that there had been no significant amendment since the draft accounts were considered by the Committee in July. She thanked Andy Sayers and Emma Larcombe from KPMG for the professional and proficient way they had conducted the audit and for the support they had given to officers throughout the process.

Andy Sayers, partner at KPMG, introduced their external audit report (Appendix 4), explaining the circumstances of the adjusted and unadjusted audit differences which had been discovered; none of these had been judged as being material to the overall opinion on the accounts. He took the Committee through the significant audit risks identified, confirming that KPMG were comfortable with the measures taken to mitigate the risks. In respect of the Council's financial resilience and value for money processes, KPMG considered the arrangements for identifying, monitoring and reporting on budget savings to be appropriate. Mr Sayers cautioned that this opinion related to the arrangements rather than the achievement of savings; in common with other councils, there would undoubtedly be challenges in this area. He referred to the Council's level of general reserves, confirming that they were at the lower end of the London range among a number of authorities at a similar level; in this respect, KPMG would monitor the budgeting processes and the Council's management of the savings position. Mr Sayers confirmed that some 14 items identified in their audit for 2015-16, 10 had been implemented and only 4 such items had been raised in 2016-17 with none of these being significant. He considered that this represented good progress and he was confident KPMG would issue an unqualified opinion on the accounts. He concluded by confirming the company's independence in its role as the Council's external auditors.

The Chair thanked Mr Sayers and Ms Larcombe for their work on the audit, and also thanked the Director of Finance and her staff for again achieving what was expected to be an unqualified opinion on the accounts.

A Member was interested to know KPMG's view about whether the Council's level of reserves could be considered as "prudent". Mr Sayers confirmed that KPMG was comfortable with the way in which the reserves had been set; he underlined that councils obviously had to work with the funds available to

them for this purpose and also explained that the practice of authorities varied in terms of the treatment of earmarked and non-earmarked reserves so comparisons were not necessarily simple.

The Member also raised the question of bank reconciliations, asking whether KPMG considered the deficiencies in this area to be fundamental. Mr Sayers acknowledged that control of cash was an issue of fundamental importance and advice had been given on tightening procedures to reduce the risk of discrepancies. He confirmed that satisfactory explanations had been provided for the issues identified in the audit. An officer advised that more robust in-year procedures had been put in place with regular meetings with the cashiers to investigate any discrepancies and delays. The Member was assured that appropriate action had been taken in response to this audit recommendation.

A Member queried the item designated as “donated assets” in Paragraph 5.9 of the accounts (Taxation and Non-Specific Grant Income). It was explained that this related to deferred capital receipts in respect of the Gayton Road disposal and the accounting requirements demanded that it be described as “donated assets” in this table. In response to a proposal that the document should explain this, an officer advised that the accounts needed to follow CIPFA guidance on how items were described and categorised; however, it was agreed that a note could be included to identify this item. The estimated date of the receipt from Gayton Road could be found in the Cabinet report on the budget and this would be provided to the Member.

A Member suggested that more information should be given to identify projects which were related to the useable and non-useable reserves. Officers agreed to add a note in this respect.

The Member also asked about the treatment of the “fair value” figures for investment properties and Mr Sayers explained how this related to non-useable reserves. With regard to the fair value figure for Council dwellings in the table at 5.10.3, it was explained that there were zero figures for the years 2013 to 2016 because the properties were valued every five years. When it was proposed that notes should be added to clarify this, Mr Sayers and officers advised that the statement of accounts followed the CIPFA Code of Practice in terms of its format and item descriptions. While it was accepted that these were minimum standards, there was concern that the use of notes to clarify items and explanations of context would lead to the statement of accounts becoming overly long and detailed. Also, at this stage, the accounts were close to formal closure and the Committee had been given the opportunity to amend them at the draft stage in July. The Director of Finance would take the Members’ points on board in respect of preparation of the next set of accounts. The Chair agreed that it was unrealistic to expect the accounts to explain the background to many of the items included in accordance with accounting guidance.

In response to the Member’s further questions on loans to the Concilium group of companies, officers agreed to confirm where in the accounts these were included.

A Member asked about the item termed “financial assumptions” in the table at Paragraph 5.38.3 of the accounts with a figure of £173m attached to it. The Director of Finance would write to the Member to clarify this.

In response to a Member pointing out that the description of the Council’s organisational structure at Paragraph 1.1 of the accounts was out-of-date, it was explained that the description was accurate as at 31 March 2017, the relevant date for this document.

A Member was interested in KPMG’s opinion as to whether the Housing Revenue Account (HRA) was in a robust state; in particular, he was interested in its viability without considering HRA receipts. Mr Sayers explained that, in the context of the preparation of accounts, relevant receipts had to be included in the HRA which was a ring-fenced account. Officers confirmed that it was not relevant to exclude receipts from an assessment of the viability of the HRA since these were a genuine and valid element of this account. The Director of Finance reiterated her offer to meet with the Member and the Divisional Director for Housing to discuss broader issues related to the HRA.

In response to a further question about the reserves, the Director of Finance acknowledged that any council would prefer a higher level but it was necessary to find a balanced approach as between the amount of reserves and the pressure to achieve budget savings. As part of the budget setting exercise, the Director of Finance had, in Appendix 10 of the Final Revenue Budget 2017-18 and MTFS 2017-18 to 2019-20 report to Cabinet in February 2017 outlined the adequacy of general fund balances based on a number of factors as detailed in the report. It would not be practical for the Council to consider higher reserve levels without imposing very difficult savings options. The Chair pointed out that the chart of reserve levels across London Borough councils revealed that Harrow was one of many at about the same low level, reflecting the reality of the challenging financial climate faced by local government in general.

**RESOLVED: To**

- (1) note the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2016-17 and the Pension Fund Annual Report 2016-17;
- (2) approve the audited Statement of Accounts 2016-17 and note the Pension Fund Annual Report 2016-17 and authorise the signing thereof by the Chair;
- (3) authorise the Director of Finance, following consultation with the Chair, to make any final amendments to the Accounts and Pension Fund Annual Report arising from the external audit prior to the signing of the accounts by the auditor; and
- (4) note the Summary Statement of Accounts 2016-17.

## 197. Annual Governance Statement 2016-17

The Committee received a report on the Council's arrangements to promote effective corporate governance of the authority, ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In particular, the Committee's attention was drawn to the improvements required in the area of health and safety. The Divisional Director, Environment & Culture and the Head of Community and Public Protection, attended the meeting to address the issues since their department was now responsible for this area. The Divisional Director underlined his commitment to ensuring the Council improved its health and safety controls given its fundamental importance for citizens, service users and staff. The Corporate Strategic Board (CSB) had adopted a draft health and safety policy and action plan, providing the framework for a more structured approach in future.

A Member asked about the performance in terms of ensuring that new staff were complying with the requirement to take an online training course; he also was interested in how managers were held accountable for this. It was confirmed that the induction programme for staff included health and safety; in addition to the online course, staff without ready access to computers received a booklet and briefing. The Environment and Culture Division used "safety circles" to encourage a focus on health and safety, and there was also joint work with the trade unions. A software package had been implemented allowing for effective and coordinated data capture. The Divisional Director would write to the Member in respect of the specific question on the proportion of new staff taking the online training.

In response to the Member's question about the adequacy of resources to implement the health and safety work, it was confirmed that a dedicated post of Health and Safety Manager had been established in the Environment and Culture Division where some of the more significant risks were likely to arise due to the nature of the services.

It was proposed by a Member that a report be brought to the next meeting on progress with the health and safety work. The Corporate Director, Resources and Commercial, reported that CSB had been careful to establish a realistic timescale for this work; while a progress report could be made to the Committee in December, it would necessarily be an interim update. In terms of resourcing, it would be important for the Council to embed health and safety as part of managers' responsibilities across the organisation rather than solely in a health and safety function.

In response to another question from a Member, it was confirmed that Internal Audit would monitor progress on the improvements to health and safety arrangements.

**RESOLVED:** To

- (1) approve the Annual Governance Statement for 2016/17;

- (2) approve the Governance Structure;
- (3) note the Head of Internal Audit's overall opinion 2016/17.

**198. 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>
11.	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)).

**199. Information Report - Corporate Risk Register**

The Committee received a report on the Council's 2017/18 Quarter 1 Corporate Risk Register to assist the Committee in monitoring progress on risk management.

A Member's raised his concern about the lack of progress on the affordable homes target (Corporate Risk No.3), particularly in relation to the significance of this area of work. It was confirmed that this would be addressed in the Quarter 2 report.

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

(Note: The meeting, having commenced at 7.30 pm, closed at 8.42 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair