

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

17 JULY 2018

Chair: * Councillor David Perry

Councillors: * Ghazanfar Ali * Maxine Henson
* Peymana Assad * Amir Moshenson
* Philip Benjamin * Kanti Rabadia

In attendance: J Kirkland Independent Person
D Lawrence Independent Person

* Denotes Member present

1. Attendance by Reserve Members

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

2. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Kanti Rabadia as Vice-Chair of the Committee for the 2018/2019 Municipal Year.

3. Declarations of Interest

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

4. Minutes

RESOLVED: That the minutes of the meeting held on 30 January 2018, be taken as read and signed as a correct record.

5. Public Questions, Petitions and Deputations

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

6. References from Council and other Committees/Panels

RESOLVED: To note that no references had been received.

RESOLVED ITEMS

7. Request for Dispensation

The Committee considered a report of the Director of Legal and Governance Services which sought a dispensation for those Councillors who were members of a trade union or whose political party received money from trade unions.

The Chair welcomed the Independent Members to the meeting and stated that they were welcome to address the Committee

The Head of the Legal Practice introduced the report and drew particular attention to the provisions of the Localism Act 2011 in relation to the granting of dispensations. The Committee noted the five circumstances in respect of which a dispensation could be granted.

In response to questions from the Members of the Committee and the Independent Members, the Head of the Legal Practice advised that:

- the delegation to the Proper Officer was restricted to dispensations for those Councillors who were members of a trade union or whose political party received money from trades unions. The individual member would be required to make a written request to the Proper Officer;
- the decision whether to agree the delegation was at the discretion of the Committee;
- Councillors in receipt of such a dispensation would be required to declare it at the beginning of any appropriate meeting during declaration of interests or alternatively the chair of the meeting may bring attention to this for the purpose of the minutes.

RESOLVED: That

- (1) authority be delegated to the Proper Officer to grant a dispensation to enable those Councillors who were members of a trade union or whose

political party received money from trades unions and would otherwise have a disclosable pecuniary interest to participate and vote at Council and other Member meetings after the Proper Officer had received a written request from the individual member;

- (2) the dispensation be for the life of the current Administration until the next local government election in May 2022.

8. Health and Safety Policy

The Committee considered a report of the Corporate Director Community which sought approval for a refreshed health and safety policy for the Council.

The Corporate Director Community informed the Committee that the policy followed the standard format, consolidated the outcomes of a review and re-established the corporate structure. The policy was accompanied by an improvement plan and the aim was to involve staff in embedding the health and safety culture throughout the Council.

In response to questions from Members, the Committee was advised that:

- there were a number of risk assessments both corporately and within departments which were cascaded by way of a communication package to ensure that staff were aware of the controls and their part in the process;
- the use of corporate software ensured access to the most up to date version of the policy and simplified the annual review process.

A Member enquired whether the recommendations of the Hackett report following the Grenfell disaster had been considered by the Council. It was noted that officers were working with partners in housing and enforcement and, together with the Fire Brigade, had visited all appropriate Harrow properties and some enforcement action had ensued. The report recommendations would be considered by the Corporate Strategy Board as would any further significant fire safety recommendations. The officers would take action as lessons learnt, for example the installation of fire detectors. An officer undertook to circulate information with regard to any implications for Bradstowe House. The Committee was assured that any information on property in Harrow that was found to be affected by the Hackett report recommendations would be in the public domain.

RESOLVED: That the Health and Safety Policy be approved.

9. INFORMATION REPORT - Health and Safety Annual Report

The Committee considered a report which summarised the Council's health and safety performance for the year 1 April 2017 to 31 March 2018. It provided an update of activities together with statistics on training, audits and accidents, including schools.

An officer outlined the key points in the report and drew particular attention to the re-establishment of the Corporate Health & Safety Board, agreed

governance structure and setting up of a clear strategy action plan following a review of the corporate health & safety within the Council by an independent auditor.

In response to questions, the Committee was informed:

- work undertaken to encourage the reporting of accidents was thought to be responsible for the increase in the number of incidents recorded in some areas such as falls from heights or from challenging behaviour. The Corporate Health and Safety Board looked at trends emerging from the analysis of incidents;
- the Council was required to make provision for health and safety litigation in the accounts. Claims were reviewed with legal officers;
- all incidents were recorded on software which enabled analysis by location, directorate, service, team, or school and linked to follow up action and plans to prevent recurrence. The corporate team analysed trends and was able to guide or escalate as appropriate. It was noted that under the new structure each director had to have a quarterly meeting as a minimum, a monthly departmental meeting supported by weekly and daily briefings. The officer undertook to give consideration to the inclusion in future reports of a breakdown in areas and whether the situation had improved. If there was a high incidence the officers would look at extremes and provide assurance;
- with regard to exposure to asbestos there was a clear action plan should it be discovered on site. A Member suggested that use of a prequalification questionnaire would be useful.

RESOLVED: That the report be noted.

10. INFORMATION REPORT - Treasury Management Outturn

The Committee received a report which summarised treasury management activities in the 2017-18 financial year. It was noted that at its meeting on 21 June 2018 Cabinet had noted the outturn position for treasury management and had referred it to this Committee for review.

The officer introduced the report stating that income was lower than budgeted due to the reduction in Council cash balances and due to the low interest rates available. The cost of borrowing was lower than usual due to deferring external borrowing through use of Council cash balances. A Member stated that he was encouraged to see the reduction in borrowing.

RESOLVED: That the report be noted.

11. Statement of Accounts 2017-18

The Committee received a report which set out the Council's draft financial accounts for 2017-18, together with the Pension Fund annual report.

Andy Sayers, partner at KPMG, introduced their external report (appendix 4) drawing attention to the accelerated timetable which required draft accounts by 31 May and final signed accounts by 31 July. He took the Committee through the key points stating that there were no audit differences, nothing significant was expected and an unqualified audit opinion was anticipated. The Committee noted that the suggestions made related to presentation and that the previous years recommendations regarding controls had been adopted.

Mr Sayers referred to the valuation of land and buildings which was the key risk in the significant audit risk schedule. The auditors had reviewed the use of the rolling revaluation model and had assessed the risks as to whether assets not subject to revaluation had been materially misstated and to determine whether movements in market indices indicated that fair values had moved materially over that time. Although some elements of the work in this area were ongoing, the work completed to date had not identified any issues requiring the Committee's attention.

The Committee was informed that there were no issues with regard to the pension assets and liabilities audit risk. Work was being undertaken with regard to the pension fund harder to price unquoted investments. The pension assets and liabilities movements were reflected correctly in the financial statements.

With regard to value for money, control of the MTFs had improved and was more rigorous since the last audit. Reference was made to the representation letter which was circulated at the meeting.

A Member referred to the issue of the external audit report prior to the completion of the audit, particularly in view of previous issues around HRA, and bank reconciliation issues. The Auditor reported that the recommendations made three or four years ago had been gradually reduced and cleared with a higher level of focus and review of bank reconciliation, and the HRA issue of indexation had been taken into account. A number of small items below £400k/£500k were not reported due to them being under the materiality level. No audit adjustments had been required and none were expected. Work had always been outstanding at the time of the report to Committee but the auditors ensured that significant areas had been completed. In response to a question as to whether triviality issues were listed as accumulated and could become significant, it was reported that such issues were captured and could be referred to the finance team.

In response to questions, Members noted the following:

:

- the total for surplus/deficit on the provision of service in the notes to the Financial Statements 5.10 property, plant and equipment had been printed out of alignment;
- the difference between the specific pension related figures in 5.5.2. note to the movement in reserves statement and 5.38.5 and note 20 actuarial present value of promised retirement benefits was due to one being cost and the other being distribution;

- the pension fund included employers in addition to Harrow Council but the accounts related solely to the Council. The officers undertook to reflect this in future reports;
- the auditors assessed the qualifications of the internal valuer referred to in the report and their expert challenged the indices and looked at methodology;
- the reduction in the book value of finance leases (note 5.35.1.1) from £509k in 2016-17 to £113k in 2017-18 was due to depreciation, mainly for vehicles;
- it was not considered that Brexit required additional disclosure.

A member was of the opinion that there were significant financial related parties and asked why there had not been disclosure of loans to council subsidiaries. The Auditor stated that it was a decision for the Council whether to make disclosure as there was exemption for employees working for subsidiary companies. The Director of Finance stated that the main consideration was the value of the trading activity and all loans were included in the accounts. The officer undertook to indicate to the Member the location of the information in the treasury management policy.

In response to a question, the Committee was informed that 5-10% of audit work on regeneration and valuation was incomplete. The Member referred to the £1.75 billion planned investment and sought information on the audit focus on assets under construction and the risk items to bring in the perceived value. In response the auditor stated that the focus was on invoices and surveyor reports and that neither planning applications or future assets were part of a statutory audit. The figure for assets under construction comprised Council land and not assets being developed by others so was therefore not £1.75 billion but £103,570k.

The Auditor was asked if he was concerned at Harrow's position on the benchmark graph for the total general fund reserve. The Auditor responded that it was for the S151 officer to determine the level of reserves and not the auditors. The value for money audit considered reserves as a factor and whilst previously identified as a risk the position had since improved.

The Chair thanked the auditors for the work undertaken to date.

RESOLVED: To

- (1) note the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2017-18 and the Pension Fund Annual Report 2017-18;
- (2) approve the audited Statement of Accounts 2017-18 and note the Pension Fund Annual Report 2017-18 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 2017-18.

12. Annual Governance Statement 2017/18

The Committee received the Council's Annual Governance Statement (AGS) for 2017-18 which had been produced in accordance with the Accounts and Audit Regulations 2015.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and referred to the appendix which set out the evidence table. The Committee was informed that there had been a few changes from the draft document as highlighted in paragraphs 3.4, 3.20 and 4.

Members were informed of the two significant governance gaps regarding health and safety and regeneration governance. The health and safety operational side was expected to be embedded prior to the next report and, in connection with the regeneration governance, a Building A Better Harrow Board had been established and a cross council working group established. The Head of Internal Audit stated that the appendix identified a number of small gaps.

Members noted that whilst the Audit Committee broadly complied with CIPFA's best practice it had not been specifically reviewed against CIPFA best practice for several years so was included in the internal audit 2018/19 plan.

RESOLVED: That the Annual Governance Statement for 2017/18 be approved.

13. Internal Audit and Corporate Anti-fraud Annual Plan 2018/19

The Committee received the Internal Audit and Corporate Anti-Fraud Plans for 2018/19.

The Head of Internal Audit introduced the report and informed the Committee that the plan was required to be flexible as it took into account the Council's risk management framework. The submission of a revised plan mid year was therefore not uncommon. A number of days had been allocated in the plan for emerging risks.

An officer stated that the draft Corporate Anti-Fraud Plan aimed to align to the Local Government Fraud Strategy.

A Member referred to the CAFT Key performance indicators 2018/19 and in particular the 60% target for fraud risk recommendations agreed for implementation. The officer responded that it was a new indicator that was being developed and the target would be closely monitored in 2018/19.

In response to a question, the Head of Internal Audit stated that the system for housing rents was core financial system work undertaken annually to ensure that key controls were in place. It was medium risk due to the previous work undertaken by Internal Audit indicating that sound controls were in place.

Reference was made to the Internal Audit peer review and it was noted that the result had been reported to the Committee but that the full report had not been available at that time.

A member enquired at what stage another agency, for example the police, became involved and whether the Council officers continued with the investigation or passed on the information. The officer stated that it depended on aggravating factors and predetermination. The service was compliant with the criminal investigation code and all officers were PACE (Police and Criminal Evidence) trained. A package of evidence would be produced for the Police.

RESOLVED: That the Internal Audit and Corporate Anti-Fraud Plans for 2018/19 and the Internal Audit charter be approved in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.

14. INFORMATION REPORT - Internal Audit and Corporate Anti-fraud Year-end report 2017/18

The Committee received the 2017/18 year end Internal Audit and Corporate Anti-Fraud Plans which included the Head of Audit's overall annual audit opinion on the control environment.

The Head of Internal Audit summarised the key elements and reported that all Internal Audit performance indicators had been met. The Committee was informed that the increase in red assurance reports compared to the previous year had been mitigated by the drop in red/amber reports from 5 in 2016/17 to 3 in 2017/18.

In response to a question as to the implication of not meeting a Corporate Anti-Fraud performance indicator, it was noted that if it was a high enough risk it could be rolled over for review the following year if it was identified as part of an annual fraud risk assessment process. The key performance indicator for assessment of allegations of fraud and corruption was 5% short of target and had resulted from capacity issues.

In response to questions, the Committee noted that:

- with regard to the incident of manipulation of data, the employee no longer worked for Harrow Council and was currently under investigation by the body that regulated teachers;
- in cases where the Council did not have the appropriate in-house IT specialised knowledge, the Council was part of the Cross Council Assurance Service (CCAS) part of which was a contract with PWC for IT specialist audit services.

The Head of Internal Audit undertook to provide information on the two significant suspected financial irregularities reported during 2017/18 as listed in the audit opinion on overall control environment.

A Member referred to the failure to achieve the programme for fraud and corruption e-learning training for staff and was informed of technical difficulties in uploading information which it was hoped would be resolved soon.

RESOLVED: That the report be noted.

15. 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 for the reasons set out below:

| <u>Item</u> | <u>Title</u> | <u>Reason</u> |
|-------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18. | Information Report – 2018/19 Refreshed Corporate Risk Register Quarter 1 | Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)). |

16. INFORMATION REPORT - Corporate Risk Register 2018/19 Quarter 1

The Committee considered a report which set out the Council's 2018/19 Refreshed Corporate Risk Register for quarter 1 of the financial year in order to monitor progress on risk management.

The Head of Internal Audit introduced the report and informed Members that the Corporate Risk Register had been refreshed by the Corporate Strategic Board to ensure it focused on corporately significant risks and that work would take place to ensure all other risks were on the appropriate departmental risk register.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.25 pm).

(Signed) COUNCILLOR DAVID PERRY
Chair