

# GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

## 5 DECEMBER 2018

**Chair:** \* Councillor David Perry

**Councillors:** \* Ghazanfar Ali \* Maxine Henson  
\* Peymana Assad \* Pritesh Patel (1)  
\* Philip Benjamin \* Kanti Rabadia

\* Denotes Member present  
(1) Denotes category of Reserve Member

### 26. Attendance by Reserve Members

**RESOLVED:** To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Reserve Member

Councillor Amir Moshenson

Councillor Pritesh Patel

### 27. Declarations of Interest

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

Agenda Item 12 – Information Report – Internal Audit Red Assurance Reports  
Councillor Maxine Henson declared a non-pecuniary interest in that her husband was Chair of the West London Waste Authority which was referred to in one of the reports. She would remain in the room whilst the matter was considered.

## **28. Minutes**

**RESOLVED:** That the minutes of the meeting held on 4 September 2018, be taken as read and signed as a correct record.

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

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

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

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

## **RECOMMENDED ITEM**

### **31. Audit Committee Review**

The Committee received a report which outlined the draft findings and recommendations of the Internal Audit review of the Audit Committee as agreed as part of the 2018/19 Internal Audit Plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and informed the Committee that the draft Internal Audit report was largely based on the evidence based self-assessment undertaken by the Committee against the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police, the responses to which were contained at Appendix B to the report.

In response to a comment that, as the self-assessment was questionnaire based, there was insufficient background information, the Head of Internal Audit and Corporate Anti-Fraud stated that consideration could be given to a workshop or training session prior to a future questionnaire.

Members indicated that they would wish to add more detailed information into the action plan as it progressed.

In response to questions, the Committee was informed that:

- the final report would include the agreed actions together with the implementation date and the responsible officer. The assurance rating was a professional opinion based on a formula;
- the proposed submission of an annual report to Council would enable the key areas where the Committee should be held to account to be addressed and for its performance to be reviewed on a regular basis.

The Head of Internal Audit and Corporate Anti-Fraud stated that revised terms of reference were submitted as part of the review as the current ones did not

clearly set out the purpose of the committee in accordance with CIPFA's 2018 Position Statement nor clearly reflect the Committee's current role.

**Resolved to RECOMMEND:** (to Council)

That the revised Terms of Reference as attached be approved.

**RESOLVED:** That the recommendations in the draft Internal Audit report be agreed.

## **RESOLVED ITEMS**

### **32. Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2018/19**

The Committee received a report on the mid-year review of treasury management activities for 2018/19. The Director of Finance introduced the report and drew particular attention to:

- investment was £100k under budget due to the low rates on offer;
- as there had been no external borrowing due to the use of cash reserves, £600k underspend had been used to help budget performance;
- there had been some temporary borrowing for capital projects due to the relatively low cost of short-term borrowing.. The strategy going forward was being reviewed.

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

- the £36.62m principle total investments in table 1 referred to the sum borrowed. The property portfolio was shown separately as an asset on the balance sheet with an income of £700k in the revenue budget;
- the estimate and forecast capital financing requirement for 2018/19 were different because the estimate was based on the information available at the time the budget was set whereas the forecast reflected the position as the year progressed;
- the reference to an additional £85m temporary borrowing when there had been a reduction in capital expenditure was due to this being a projection of the capital financing requirement should all investments be taken. However the Council had under borrowed. Non HRA did not have the same borrowing gap but note was taken of the Prudential code and affordability of borrowing. If cash balances held dipped below a trigger point of required working capital of £30million temporary borrowing would take place to regain that level, primarily through short-term borrowing from other local authorities.

Underspending on capital schemes could be carried forward to the next financial year at which time long-term borrowing could take place;

- as the regeneration programme had been under review the provision had been carried forward resulting in a £65k underspend on the capital budget of £71m. Subsequent to the review, instead of carrying forward this underspend the budget would be reset for 2019/20 to reflect the currently agreed programme. It was hoped that the forecasting for the next financial year would be more in line with activity;
- the loan to West London Waste Authority presented a good return which would be used to maintain investment income;
- a negative impact of Brexit was considered unlikely as the counterparties were British Banks and their capital protection would apply;
- the cash flow was monitored daily.

The Director of Finance undertook to clarify why table 4 indicated an increase in HRA expenditure from £2,339k to £10,379k whilst table 5 showed no increase in the HRA capital financing requirement from estimate to forecast. It was agreed that the clarification would be verbally reported to Cabinet the following evening.

An officer undertook to clarify the reasons for the increase in revenue funding in table 4 from an estimate of £7418k to a forecast of £18,492k.

**RESOLVED:** That

- (1) the report be noted;
- (2) the Director of Finance verbally report to Cabinet on the reason for the discrepancy between tables 4 and 5 HRA capital expenditure estimate of £2.739k against a forecast of £10380k in table 4.

### **33. 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>
12	INFORMATION REPORT – Internal Audit Red Assurance reports	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

### **34. INFORMATION REPORT - Internal Audit Red Assurance Reports**

The Committee received a report on two final red or red/amber assurance reports undertaken by Internal Audit as part of the 2017/18 Internal Audit Plan and reported at a high level in the Year End Report presented to CSB and GARMS in July.

The Head of Internal Audit and & Corporate Anti-Fraud advised the Committee that the reports were presented after management had agreed the report and recommendations to provide assurance that appropriate action was planned and a follow-up would be reported to provide further assurance that agreed actions had been implemented.

The Committee scrutinised the review reports and made comments and asked questions which were responded to by the officers.

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

(Note: The meeting, having commenced at 7.35 pm, closed at 10.00 pm).

(Signed) COUNCILLOR DAVID PERRY  
Chair