

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

21 JANUARY 2020

Chair: * Councillor David Perry

Councillors: * Ghazanfar Ali * Kairul Kareema Marikar
* Peymana Assad * Amir Moshenson
* Philip Benjamin * Kanti Rabadia

* Denotes Member present

82. Attendance by Reserve Members

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

83. Change of Membership

RESOLVED: That the appointment of Councillor Kairul Kareema Marikar as a Member of the Committee and Councillor Maxine Henson as a Reserve be noted.

84. Declarations of Interest

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

85. Minutes

RESOLVED: That the minutes of the meeting held on 16 September 2020, be taken as read and signed as a correct record.

86. Public Questions, Petitions and Deputations

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

87. References from Council and other Committees/Panels

RESOLVED: To note that there were no references from Council and other Committees or Panels.

RESOLVED ITEMS

88. INFORMATION REPORT - External Audit report on Grants and Returns Certifications 2018-19

The Committee received the annual report on grants and returns 2018/19 which included a summary of the outcome of returns with regard to the Teachers' Pension Return, the Pooling of Housing Capital Receipts return, and the Housing benefits Grant claim.

Gary McLeod of Mazars, the Council's Auditors, introduced the report and informed the Committee that a qualification letter had been issued in respect of the Housing Benefit subsidy grant claim as audit testing had identified some minor errors of which there was not expected to be any effect on the subsidy granted. The Teachers' Pensions Return had been updated to reflect the Council's amendments arising from two minor errors. The work with regard to the pooling of Housing Capital Receipts was ongoing with completion by the submission deadline of 7 February 2020.

In response to questions regarding the Housing Benefit Subsidy, the Committee was informed of the sample processing, which was through random testing as set by the DWP. It was noted that the errors were fed back to the Council for inclusion in an action plan and mitigation. The Auditors had to report all finding from the sample as materiality for errors was zero. The External Auditors thanked the Housing Benefits Team for the good work that they had done in preparation for the audit which helped the audit to be undertaken efficiently.

RESOLVED: That the Audit report on Grant and Returns Certifications 2018/19 be noted.

89. INFORMATION REPORT - External Audit Plans 2019-20

The Committee received a report on the External Audit Plans for 2019/20. The report summarised how the external audit of the Council's accounts and Pension Funds for 2019/20 would be conducted and the key aspects of the audit plan.

Lucy Nutley of Mazars, the Council's Auditors, introduced the report with reference to the audit approach, significant risks and areas of key judgement.

Both audits included identified risks and the testing approach to those risks. The Committee was informed that there would be an update on the need to prepare consolidated group accounts.

The Auditor drew particular attention to: the significant changes arising from the adoption of IFRS 16 (Leases); the Medium Term Financial Strategy had not been made public at the time the accounts were written; and a change in the materiality benchmark to reflect the second year of appointment as the Council's Auditors from 1% to 1.5%.

In response to queries from Members on the Audit Strategy Memorandum, the Committee was informed that:

- whilst the Council's budget was not specifically mentioned, it was considered through value for money work and financial monitoring;
- the regeneration spend was not expected to be a material risk in the current financial year. The Audit looked at the account spend and whether it had been correctly classified and was value for money;,
- there was a judgement as to materiality of between 1-2% of gross revenue expenditure and the Audit had used 1.5%. There was specific materiality on items such as senior officer remuneration;
- the Audit was not driven by Internal Audit although assurance was taken from it. The Internal Audit plan was reviewed and care was taken not to duplicate work;
- with regard to budgets in general terms, the Audit reviewed instances where the spend had not been anticipated. It did not consider spend where the budget had been foreseen, was appropriate and met the prudential indicators;
- with regard to commercial properties the Audit would be around the governance process, which considered assessments, and would look at values;
- the Director of Finance would be liaising with the Auditor regarding the new Code of Audit Practice due to be adopted in January 2020 in order to provide the required resources and ensure compliance.

Members asked a number of questions with regard to the group audit approach on the Council's trading companies. The Auditor responded that detailed work would be undertaken on related party transactions. The Director of Finance referred to the trading company accounts which were reported quarterly to Cabinet and advised that the business plans would be reported to the June or July Cabinet meeting. A Member acknowledged that details were registered at Companies House as separate legal entities but requested, as these were abbreviated information, full financial statements with full disclosure. The Chair agreed that the Member submit a request for the information to the Director of Finance and Director of Legal and

Governance Services. Following their advice as to whether it was necessary to bring the information to GARMS he would review the way forward which would be circulated to Members of the Committee.

With regard to questions on the Pension Fund Audit Strategy Memorandum, it was noted that interim work would commence subsequent to receipt of the final report from the actuary. Additional work around the triannual evaluation would take place as part of the standard audit report. The Director of Finance referred to a report submitted to the Pension Fund Committee and stated that if the fund improved it was a good result for the Authority.

RESOLVED: That the report be noted.

90. Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2019/20

The Committee received a report which set out the mid-year review of Treasury Management activities for 2019/20. It was noted that the report had been considered by Cabinet which had referred it to the Committee for review.

The Director of Finance introduced the report drawing particular attention to table 1 – Investments and Borrowings. It was noted that the officer focus was on the monitoring of the capital programme to ensure accuracy and that borrowing only took place if it had to.

It was noted that, due to the unexpected 1% increase in the cost of new PWLB borrowing, the Council was seeking other sources of affordable funding to be able to deliver the Capital Programme within current budget provision. Since the increase in PWLB rates, only £20m debt, with another lender who was cheaper than PWLB, had taken place. The Council had saved £1.5m as a result of securing borrowing at a lower rate. In response to a question, it was advised that, prior to the recent increase, the PWLB borrowing had been at fixed rates and the new rates for 25 year borrowing were about 3%.

In response to questions from the Committee, it was noted that:

- in regard to table 2 – investment balances, £10m September 2019 had been temporary borrowing from other Local Authorities;
- the 2020/21 financial year included an approximate £25m rolling programme for capital expenditure and £50-60m for the housing capital programme;
- as of 30 September 2019, the total borrowing had been £402,261,000. Subsequent to the preparation of the report there had been a further £20m debt and no further debt was anticipated in the current financial year;
- Lifetime repayments were aligned to an asset and long term borrowing was generally cheaper;

- the penalty for early repayment was equivalent to the interest that the provider would lose. The Authority had repaid some debt which had matured, no penalties had been paid;
- the Director of Finance undertook to supply the Member with information regarding the expected yield and repayment terms in respect of the West London Waste Authority loan which sat in creditors on the balance sheet;
- there was no specific cap on local authority debt and the officers were mindful of affordability considerations.

The Director of Finance undertook to:

- to confirm the figures in table 3 regarding LOBO interest reset dates, and
- to confirm the West London Waste Authority loan figure and whether it included repayments.

RESOLVED: That the report be noted.

91. INFORMATION REPORT - Removal of Risk Based Verification in the administration of Housing Benefit and Council Tax Support

Consideration was given to a report which set out the proposal to remove Risk Based Verification from the administration of Housing Benefit and Council Tax Support. The Committee was asked to comment on the proposal to cease the verification with effect from 1 April 2020.

The Housing Benefits Service Manager introduced the report stating that Risk Based Verification had been used in Harrow since 2015. The Committee was advised that the reasons for the change were the introduction of Universal credit, access to real time earnings and private pension data, the subsidy risk, and the introduction of the new Council Tax Support scheme.

In response to questions, the Committee noted that:

- home visits were made for those with a high level of vulnerability who were unable to provide information online. The numbers were in single figures in a year;
- claimants had a month to supply the required information, with a further month if there had been no response. The paperwork required depended on the type of claim and always required original ID. Additional support was available for those identified as vulnerable;
- the HMRC earnings and pensions verification interacted with universal credit;
- a live feed for State pension data was being implemented;

- a claim remained active as long as there was an entitlement.

A Member suggested that monitoring should take place after removal of the tool with an update to the Committee.

RESOLVED: That the report be noted.

92. Health and Safety Delegations

The Chair advised the Committee that the report had been deferred to the next meeting of the Committee.

93. Internal Audit and Corporate Anti-Fraud Mid-Year Report and Quarter 3 Update

The Committee received a report which set out progress against the 2019/20 Internal Audit and Corporate Anti-Fraud Plan. The Head of Internal Audit and Corporate Anti-Fraud introduced the mid year report plus Quarter 3 update for Internal Audit and the Corporate Anti-Fraud Manager introduced the report for Corporate Anti-Fraud.

In response to a question on the progression of key items and the assurance results of individual assignments, it was noted that there had not been any red rated assurance reports to date but all such reports would be submitted to the Committee.

In response to questions, the Committee was informed that:

- 5 social housing tenancies had been recovered;
- there was a 100% check on Right to Buy applications once the Council confirmed a right to buy;
- Blue Badge fraud had been risk assessed and had not been included in the plan;
- the 8 internal fraud and corruption referrals were mainly fraud. The Team looked at best practice, aimed to be as proactive as possible, had discussions with colleagues in London, and looked at new techniques;
- the Corporate Anti-Fraud team comprised five staff including the Manager. It was recognised that potentially more could be achieved with increased resources. It was acknowledged by the Chair that this question was regularly raised by the Committee and that it was a matter for officers to explore.

RESOLVED: That the report be noted.

94. 2020/21 Internal Audit Planning Process

Members considered a report which set out the 2020/21 Internal Audit annual planning process to help the Committee to understand and contribute to the development of the Internal Audit Plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report outlining the process and the elements that were included in the plan each year. She invited the suggestion of items for consideration for the Plan and agreed to contact members of the Committee and Reserves accordingly. It was noted that any suggestions for the plan would be risk assessed prior to inclusion in the Plan.

A Member asked about the draft Borough Plan that would be submitted to Cabinet in February and the Head of Internal Audit and Corporate Anti-Fraud confirmed that the corporate priorities outlined in the plan would be taken into account as part of the audit planning process.

RESOLVED: That the report be noted.

95. 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>
18.	Appendix A to Harrow RDV Policy	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).
19.	Information Report – Quarter 3 2019/20 Corporate Risk Register	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).
20.	Red Assurance Internal Audit Reports	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

96. Harrow RDV policy

See minute 91.

97. INFORMATION REPORT - Quarter 3 2019/20 Corporate Risk Register

The Committee considered a confidential report which set out the Council's 2019/20 Corporate Risk Register for Quarter 3 of the financial year to assist the Committee in monitoring progress on risk management in accordance with the Terms of Reference.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report drawing attention to the changes made to the register to date since the previous quarter. She advised that the corporate risk register was agreed by CSB in November 2019.

In response to a question the Committee was advised that the risk to the Borough's services being adversely affected by a No Deal Brexit felt more positive due to the change in national circumstances as it was considered more likely that there would be a deal.

RESOLVED: That the report be noted.

98. INFORMATION REPORT - Red Assurance Internal Audit reports

The Committee received a confidential report of the Director of Finance which presented a final red assurance report undertaken by Internal Audit as part of the 2018/19 Internal Audit Plan and the follow-ups of two red assurance reports previously presented to the Committee. The reports were presented to help fulfil the Committee's purpose to provide assurance to the members of the adequacy of the Council's governance, risk management and control framework.

The Head of Internal Audit and Corporate Anti-Fraud introduced the reports. Officers from the areas concerned responded to questions and provided assurance that appropriate action was being taken to improve control and mitigate risk.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.45 pm).

(Signed) COUNCILLOR DAVID PERRY
Chair