

**Annual Report of Harrow Council's Governance Audit, Risk  
Management & Standards Committee**

**2019/20**

## **Chair's Foreword – to be updated for 2019/20**

I am very pleased to present this Governance, Audit, Risk Management and Standards Committee Annual Report for 2018/19 to Full Council.

The report shows that the GARMS Committee has undertaken its role effectively; covering a wide range of topics and ensuring that appropriate governance and control arrangements are in place to protect the interests of the Council. The Committee considered and reviewed a number of policy areas throughout the past year and this can be seen within the programme of works appendix in the report.

The Committee has ensured that best practice has been followed throughout our workings and where issues need to be raised, they have been discussed at length at Committee meetings and the right level of scrutiny and challenge has occurred.

As the Chair of the Committee I would like to express my appreciations to the Council officers for their robust work throughout the year along with our external auditors. I also express my thanks to the Committee members for their contributions this year in carrying out the vital and important responsibilities the Committee oversees.

Cllr. David Perry

Chairman - Governance, Audit, Risk Management & Standards Committee

## **Suggestions for inclusion for 2019/20**

- Change of committee membership during the year.
- As this is the second year of presenting an annual report the detailed explanation of the role of the committee in each area of the committee's remit has been omitted however the committee's terms of reference providing this detail is attached.

## **Introduction**

1. The purpose of the Governance, Audit, Risk Management and Standards (GARMS) committee is to provide independent assurance to the members of the adequacy of Harrow Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.

## **Terms of Reference and Membership**

2. The Committee's Terms of Reference requires the Committee:

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
  - To report to full Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
  - To publish an annual report on the work of the committee.
3. The membership of the Committee for 2019/20 consisted of the following:
- Councillor David Perry (Chair)
  - Councillor Ghazanfar Ali
  - Councillor Peymana Assad
  - Councillor Maxine Henson (April 2019 – Dec 2019)
  - Councillor Kairul Kareema Marikar (From January 2020)
  - Councillor Philip Benjamin
  - Councillor Amir Moshenson
  - Councillor Kanti Rabadia (Vice-Chair)
4. The Committees membership rules state that:
- An Elected Mayor, the Leader or a member of the Executive may not be Members;
  - The Chair of the Committee must not be a Member of the Executive;

These rules were complied with during 2019/20.

5. The Committee usually meets 5 times a year (April, July, September, November/December and January) however during 2019/20 the December meeting was cancelled.

### **The Committee's Programme of Work**

6. The Committee has a broad remit that includes:
- Governance
  - Risk Management
  - Countering Fraud and Corruption
  - Internal audit
  - External audit
  - Financial reporting
  - Treasury Management
  - Health & Safety
  - Standards

7. The following sections provide details on each area and the Terms of Reference (attached) specifies the Committee's powers and duties within each area of responsibility.

## **Governance**

8. The committee received a report on the 2018/19 Annual Governance Statement that included an Evidence Table detailing the assurances obtained to support the statement. This included assurances from the Council's Legal and Finance teams, assurance on arrangements to secure vfm, assurance on how the Council's framework of assurance addresses the risks and priorities of the Council and assurances on arrangements for the Council's significant partnerships.
9. The Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control and the rationale behind it was reported to the committee at the same meeting as part of the Internal Audit Year-end report and was also included in the Annual Governance Statement. The opinion stated that:

*The adequacy and effectiveness of organisation's control environment for the 2018/19 financial year has been assessed as "good with improvements required in a few areas".*
10. The statement itself detailed progress on the significant gaps identified as part of the 2017/18 Annual Governance Statement.
11. Two additional governance reports were considered by the committee during the year, one covering the Committee on Standards in Public Life Review of Local Government Ethical Standards and another on the Removal of Risk Based Verification in the Administration of Housing Benefit and Council Tax Support.

## **Risk Management**

12. During 2019/20 the committee received three reports on risk management, one covering the Corporate Risk Register for Quarter 4 2018/19, one covering the Quarter 1/Quarter 2 register for 2019/20 and the other covering the Quarter 3 update of the register. These reports enabled the committee to monitor progress of risk-related issues facing the Council.
13. The Council's risk management strategy was not presented to the committee during 2019/20, although it was previously approved by the committee, as although planned it was not reviewed/updated during this time. The strategy is however currently under review by officers and will be presented to the committee for review during 2020/21.

14. During the year Members suggested a number of matters that ought to be included in the Risk Register and the Head of Internal Audit and Corporate Anti-Fraud undertook to refer these to the Council's Corporate Strategic Board (CSB) for consideration.

### **Countering Fraud and Corruption**

15. During 2019/20 the committee received reports on the corporate anti-fraud plan of work for 2019/20 for approval, the year-end report covering the output and performance of the Corporate Anti-Fraud Team for 2018/19 and a mid-year report on progress against the 2019/20 agreed plan of work.
16. During the year Members raised several queries including the following:- the number of housing tenancies recovered; Right to Buy applications; Blue Badge fraud; internal fraud; corruption referrals; the level of CAFT resources; the timescale for establishing a methodology for assessing fraud loss and the procedures used for recovering losses suffered through fraud and the sums involved; how the target for recovery of social housing units was derived and what drives the priorities for anti-fraud work. Assurance on these were provided by the Corporate Anti-Fraud Manager.

### **Internal Audit**

17. The internal audit charter is presented and approved by the GARMS Committee on an annual basis, in 2019/20 this went to the April meeting along with the internal audit plan of work for 2019/20 for approval.
18. The committee also received a year-end report covering output and performance of internal audit for 2018/19, a mid-year report on the performance of internal audit against the agreed plan was provided in January 2020 and a report on the internal audit planning process.
19. During the year the committee considered 3 red and 1 red/amber assurance internal audit reports as well as 2 follow-ups of red and 1 follow-up of a red/amber assurance report from the 2018/19 internal audit plan. Managers from the relevant services attended the GARMS Committee meetings for these items to answer Members questions and provide assurance on action being taken to address audit recommendations.
20. In addition the committee received the final internal audit report on the review of the Audit Committee, agreed the template for the committee's annual report and approved the draft annual report for presentation to Council.

21. The Annual Governance Statement that includes a report on the effectiveness of internal audit was considered and approved by the committee in July 2019 (as above).
22. The Head of Internal Audit was provided with free and unfettered access to the GARMS Committee Chair during 2019/20.
23. During 2019/20 there were no new proposals made in relation to the appointment of external providers of internal audit services and no external providers were used during the year.
24. Members raised a number of queries with regard to Internal Audit during the year including the length of time taken to complete a particular audit review; the Directorate with the highest number of amber and red reviews during 2018/19 and on red assurance reports.

### **External Audit**

25. The new external auditors (Mazers) presented reports on the 2018/19 Statement of Accounts and the Harrow Pension Fund in July 2019 along with a report on the 2019/20 External Audit Plans (Audit Strategy Memorandums) and their report on Returns and Certifications covering the results of grant work for 2018/19 in January 2020.
26. The external auditor's assessment of their independence was included in Mazar's Audit Strategy Memorandum 2019/20 presented to the committee in January 2020.
27. The Annual Audit Letter for 2018/19 received in November 2019 was not however formally presented to the committee due to the cancellation of the December GARMS Committee meeting. The letter provided an unqualified opinion on the Authority's financial statements for 2018/19 and an unmodified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2018/19. No recommendations were made for 2018/19. This was in line with the external auditor's draft assessment provided verbally to the committee in July.
28. The external auditors reported to the committee that the Council had presented a good quality set of accounts and working papers and the external auditors' analysis of risks had revealed no significant issues and 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.

29. The Chair was pleased at the external auditors' acknowledgement of the quality of officers' work on the accounts, and at the positive assessment of the Council's financial management reflected in the auditors' provisional judgements; he considered this to be a significant achievement especially against a background of severe financial pressures on local government.
30. Members queried the lack of recommendations on internal controls; the assessment of the decision-making process related to the Council's regeneration programme; vfm; regeneration spend; materiality judgement; assurance taken from Internal Audit; unanticipated spend; commercial properties; the new Code of Audit Practice due to be adopted in January 2020 and group audit approach on the Council's trading companies; the Housing Benefit Subsidy and these were addressed by the External Auditors and the Head of Internal Audit.

### **Financial Reporting**

31. The committee received a report in April 2019 on how they wished to receive the 2018/19 draft Statement of Accounts for review to accommodate the earlier deadline for publishing the accounts and it was agreed that the draft Statement of Accounts be sent to all Members of the Committee by email and that they contact the Director of Finance with any questions or comments.
32. The final Statement of Accounts 2018/19 and the Pension Fund Accounts were presented to the committee in July 2019. The publishing of the Statement of Accounts makes public the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's resources.
33. The external audit report on the accounts was appended to this report as described in the section on external audit above.
34. In addition to the queries noted in paragraph 30 above Members questioned the treatment of a particular case on pensions liabilities; the significant swing in the valuation of pension fund investments; the figures for the Council's contributions to the pension fund

### **Treasury Management**

35. The committee considered three reports on Treasury Management during the year, the 2019/20 Capital Strategy in April, the 2018/19 outturn report in July and the 2019/20 mid-year report in January 2020.

36. Members asked a number of questions in relation to the various tables set out in the appendices to the reports. They enquired about the impact on the Council's finances and the increase in debt of 70% and whether this was the Council's recommended strategy. Questions from Members also related to the authorised level of debt and why more had been budgeted for, and whether capital financing requirements boundaries could exceed. Members also raised queries regarding the total borrowing figure, the affordability of borrowing, the percentage increase in the level of borrowing and cash investments which were addressed by the Director of Finance and the Treasury and Pensions Manager.

### **Health & Safety**

37. During the year the committee received the Annual Health & Safety report summarising the Council's health and safety performance for 2018/19 and providing an update of activities together with statistics on training, audits and accidents, including schools.
38. Members raised queries about physical assaults in schools, the coordination of reporting process between schools and the Council, insurance claims and incidents of self-harm that were responded to by the Head of Community and Public Protection.
39. The Chair was pleased to see no enforcement cases involving the Health and Safety Executive (HSE); the Council had maintained a positive, proactive and open relationship with the HSE.

### **Standards**

40. As mentioned in paragraph 11 under governance a report covering the Committee on the Standards in Public Life Review of Local Government Ethical Standards was presented and the best practice principles were adopted by the committee in July 2019.

### **Conclusion**

41. The Committee has successfully fulfilled its purpose/roles and responsibilities as outlined in its agreed Terms of Reference.