

35. Public Questions, Petitions and Deputations

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

36. References from Council and other Committees/Panels

RESOLVED: It was noted that none were received.

Resolved Items

37. Appointment of Independent Members and Reserves on the Standards Working Group

At its meeting on 21 September 2022, the Committee established the Working Group and appointed Councillors Yogesh Teli and Antonio Weiss. The Committee was now asked to consider the appointment of Independent Members and Reserves.

In response to a question, it was noted that the Independent Members were not members of the GARMS Committee and would be invited to meetings only if there was a Standards item on the agenda.

RESOLVED: That the membership and rules of the Standards Working Group be agreed as set out on page 11 of the agenda.

38. Information Report - Audit Progress Report 2021/22

The Committee received a report of the Director of Finance and Assurance which provided an update on the progress of the 2021/22 external audit.

Stuart Firth and Paddy Sadd from LLP Mazars, the Council's external auditors, were welcomed to the meeting and introduced the report. Particular attention was drawn to delays during the execution phase of the audit due to additional work arising from: changes in the ledger systems during the year; the requirement for further evidence to support the valuation of property, plant and equipment and investment property; and awaiting the outcome of consultation on a national issue regarding accounting for infrastructure assets. It was noted that these factors had impacted on the timeline. With regard to significant risks, work on the migration from SAP to D365 had progressed and, having reviewed the internal assurance, been seen as appropriate and no concerns had been raised. Work on property, plant and equipment had progressed, potential issues had been finalised and the next steps were under discussion with the officers. With regard to Value for Money, advice from the technical team was that until the case concluded a conclusion could not be issued.

In response to questions as to the type of risks involved with regard to property, plant and equipment, the Committee was informed that the work was complex, highly subjective and could result in a significant difference between valuations. A lot of in depth testing and testing of input data would take place to ensure completeness. The use of indexes reflected market

movements and could influence valuations quite dramatically. The impact on the financial statement of the Council with regard to property, plant and equipment valuations was difficult to determine until it was complete and there could be an accounting adjustment. Work on the valuation of tangible assets, which was essentially software, had progressed with the Council having completed the review and populating and testing were now taking place.

The Chair queried why, as the bulk of property was schools and parks, the valuations were high risk when they could not easily change hands. The Auditor explained that it was not so much comparative values but that it was not possible to observe market price. Furthermore, the Council owned investment property, Council dwellings, and general fund properties with a variety of rental returns, values and leases. Local Government Audit was of the same standard as for an investment company with the same steps. It was a large task for the Council to support the audit of individual valuations and requests for base data.

A Member referred to the challenges to the methodologies of the Council valuer and requested information on the challenges and what had changed, whether the previous valuations had been correct or would the Council need to prepare for radical change in valuations in comparison with the previous year. The Auditor responded that it was the first time an internal valuation expert had been involved due to the levels of risk shown in the previous year. There had been no evidence of incorrect valuations from testing but some elements of the 2020/21 financial statement had given rise to additional risk and there was potential for material adjustment. In response as to whether a methodology would be established for future valuations, the Auditor stated that it was not their role to put this forward but was to comment on what the Director presented to them.

In response to a question as to the ledger system, the Auditor reported that, as the entire system had changed during the year, there were data sets from two systems midway through the year. The Director of Finance and Assurance stated that the change of financial ledger was due to need for renewal and was not intended to be midyear but challenges with dynamics had delayed implementation.

With regard to questions concerning the Civic Centre, the Auditor reported that communications with officers on the timeline for the Civic Centre accounting treatment would begin the following week. Mazars was currently giving consideration to its planning process for 2022/23 and would then have a more informed programme. The Chair requested that the Committee be informed of the timetable when available.

It was noted that although the Civic Centre had not yet been decommissioned there were changes of classification in statements and it had been identified as a risk because of the differential between capital and revenue. It was unusual for a Council to have an inventory of property for sale and it was treated as capital. The Auditor stated that the technical team was reviewing the position and he would endeavour to get an update for the next meeting. The Chair stated that he was surprised that the Harrow Council Hub was to be revalued as it was under construction and its costs known.

Members expressed disappointment that the audit had not yet been concluded which had resulted in the Committee scrutinising an update and incomplete audit report. The Committee suggested that the Auditors conclude except for certain items. The Auditor said that it was a general issue across the Council and Mazars' Director had raised it with the internal team and was working to see if there was any scope to resolve. The Director of Finance and Assurance stated that some form of assurance was provided at regular meetings and although there were IFRS16 challenges, material issues were not being raised.

The Chair stated that he hoped the audit would be concluded by the next meeting of the Committee,

RESOLVED: That the Audit Progress Report 2021/22 for the Council and the Pension Fund be noted.

39. Annual Governance Statement 2021/22

The Committee received a report from the Director of Finance and Assurance which set out the Annual Governance Statement (AGS) 2021/22.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report, stating that the changes made to the Statement subsequent to the submission of the draft to the Committee in July were highlighted. Members were informed that the evidence table with details of the annual review of the cross Council approach had revealed a higher number of minor governance gaps than in recent years. It was noted that a detailed action plan would be submitted to the Committee to enable Members to track the progress of implementation.

A Member expressed concern that the Management Assurance exercise had confirmed that only around 50% of staff had received appraisals during 2021/22 and only 71% confirmed in the staff pulse survey that they had had regular conversations with their manager about their work and development. Furthermore, 14% of staff were unclear as to what was expected of them. She was concerned that staff were losing out and feeling undervalued. The Head of Internal Audit and Corporate Anti-Fraud stated that the Head of Organisational Development and CSB had already taken action to improve the position in the current year and progress would be included in the action plan.

The Director of Finance and Assurance undertook to inform the Members as to what percentage of the workforce were agency workers. It was noted that agency workers were not included in performance appraisal interviews but were represented in the pulse survey.

Another Member stated that it was the first time he had seen a qualified Opinion. The officer confirmed this position and stated that it had arisen due to the considerable amount of work undertaken on the significant governance gap identified in the 2020/21 Annual Governance Statement. The opinion had

therefore been based on far fewer audit reviews and less audit coverage across the Council but was back on track already this year.

In response to a question regarding availability of finance for increased training provision, it was noted that a lot of work was being undertaken by the Organisational Development Team including new mandatory training on corporate anti-fraud.

A Member sought clarification as to whether the statement that no complaint had been received on the release of information regarding the significant governance gap was correct as he had been informed that there had been at least one.

The Chair referred to the new requirement that separate bodies created by local authorities should abide by Nolan principles of openness and publish their board agendas and minutes and annual reports in an accessible place. The officer stated that it was not a significant governance gap that this did not take place as it did not have a detrimental impact on the whole organisation. She further clarified that the requirement did not mention the publication of full financial reports.

The officer responded to a question on timescale, stating that contact would take place with all relevant managers with the aim to submit the action plan to the January GARMS meeting. It was noted that it would not be submitted to the Cabinet or Council as the assurance was delegated to the GARMS Committee.

RESOLVED: That

- (1) the Head of Internal Audit's Final Audit Opinion 2021/22 be noted; and
- (2) having reviewed the Annual Governance Statement 2021/22 in line with the Committee's terms of reference, and confirmed that the Annual Governance Statement (AGS) properly reflected the risk environment and supporting assurances and legal and financial advice, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; the Committee was satisfied and recommended it for approval by the Leader and Chief Executive.

40. Internal Audit & Corporate Anti-Fraud 2021/22 Year End Reports

The Committee received a report of the Director of Finance and Assurance which set out the 2021/22 year-end report for Internal Audit which included the Head of Internal Audit's overall audit opinion on the control environment and the CAFT (Corporate Anti-Fraud Team) 2021/22 year-end report.

The Head of Internal Audit and Corporate Anti-Fraud introduced the internal audit report informing the Committee that her overall opinion was good with some significant improvements required in a few areas. She stated that it was a qualified overall audit opinion based on fewer reviews undertaken than in a typical year due to the considerable amount of work required to provide

support on the significant governance gap during 2021/22. The Corporate Anti-Fraud Service Manager introduced the CAFT report referring to the joint work with audit on the governance gap. It was noted that all recommendations had been accepted by management.

In response to questions from Members on the CAFT year-end report, the Committee was informed that:

- there was not a performance indicator for the Corporate Anti-Fraud and Corruption Strategy as it was not an annual report but covered a number of years;
- the overall recoverable fraud losses of £48,134.51 attributed to revenues/business rates/council tax support fraud/grants could not be extrapolated because other than a Covid grant case they were linked cases to the Team's primary role;
- the officer undertook to confirm the number of fraud referrals;
- the tenancy recovery value and the authorities' fraud loss formula of £93,000 had been calculated by the Cabinet Office. It did not represent a loss of rental but was the saving made by stopping the misuse;
- the amount of resource available to the team could not be directly related to the collection rate because of the preventive nature of the work.

RESOLVED: That the report be noted.

41. Draft Corporate Anti-Fraud and Corruption Strategy 2022-26 Consultation

The Committee received a report of the Director of Finance and Assurance which set out the draft Corporate Anti-Fraud and Corruption Strategy. The Committee was invited to review and comment on the strategy as part of the wider cross Council consultation process.

The Corporate Anti-Fraud Service Manager introduced the report stating that the strategy would be supported by an annual Fraud Plan developed by the Corporate Anti-Fraud Team and reported to the GARMS Committee regularly. He further stated that in the region of 40% of crime was against individuals.

Members asked a number of questions and were informed that:

- there was a fraud hotline which enabled anonymous reporting of fraud;
- although the strategy had not been reviewed and refreshed due to resources being diverted to the significant governance gap identified mid year, the draft strategy would be reviewed in 2022/23;
- whilst the consultees were yet to be determined it would include CSB and all key positions in the Local Authority.

In response to a question regarding model standards, the Committee was informed that the strategy was aligned to the Fighting Fraud and Corruption Locally strategy and checklist. The officers would undertake work on the checklist once the strategy had been approved.

RESOLVED: That the report be noted.

42. Exclusion of the Press Public

To resolve that the press and public be excluded from the meeting for the following item of business for the reasons stated.

Agenda Item No	Title	Description of Exempt Information
15.	Information Report – Internal Audit Red Assurance Report	Information under paragraph 3 (contains information relating to any individuals).

43. Information Report - Internal Audit Red Assurance Report

The Committee received a confidential report of the Director of Finance and Assurance, which set out a final red assurance report undertaken by Internal Audit as part of the 2020/21 Internal Audit Plan and reported as of the significant governance gap in the 2020/21 and 2021/22 Annual Governance Gap. The report included recommendations made to improve controls and the agreed management action to help fulfil the Committee’s purpose to provide assurance to 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 report and informed the Committee that all the 54 recommendations had been agreed by management. It was noted that a follow-up of these actions was due to be undertaken in September 2022 to assess progress and re-assess the risks. Although management had provided an update of progress made in implementing the report’s recommendations, due to staff vacancies and other ongoing reviews Internal Audit resources had not been available to undertake the review. She stated that it was intended that the review be undertaken in January 2023 and a report submitted to the Committee in due course.

The Chair requested an overview of the key changes and officers from the review area outlined the key elements including contract management, IT systems and financial systems and payments. It was noted that the final piece of work would be staff training on procedures.

A Member enquired whether there was a system of continual review and how any future such circumstances would be prevented. The Committee was informed that lessons learnt would be incorporated into the implementation plan and applied when looking in detail at other areas. In addition, the elements would be included in both Council wide and directorate risk management.

Members asked a number of questions and officers from the area responded. It was noted that the target number of expected controls to be operating was 100%. The actual contract had not been amended and documentation issues were not considered to be high risk particularly if not applicable throughout the Council. A peer review with another Council would be useful. Members were informed that it was a corporate requirement to undertake monthly budget monitoring.

The Committee was informed that the review and final audit was presented to the GARMS Committee in accordance with its delegation. Consultation would take place with CSB and senior officers.

Members noted the issues and welcomed the recommendations that had been put in place.

RESOLVED: That the report be noted.

44. Closure of Meeting

During discussion on the item in minute 43 and in accordance with Committee Procedure Rule 14.1.2, the Committee agreed prior to 9.00 pm that

RESOLVED: The meeting continue until 9.10 pm at the latest.

(Note: The meeting, having commenced at 6.30 pm, closed at 9.03 pm).

(Signed) Councillor Kanti Rabadia
Chair