

ROYAL BOROUGH OF GREENWICH

AUDIT & RISK MANAGEMENT PANEL

WEDNESDAY, 29 SEPTEMBER 2021 AT 7.00PM

MINUTES

PRESENT:

Members:

Councillor Chris Lloyd (Chair), Councillors David Gardner, Pat Slattery and Charlie Davis

Officers

Director of Finance; Assistant Director Corporate Finance; Assistant Director of Finance (Financial Governance & Audit) and Committee Services Officer

Other Councillors in Attendance

Councillor Linda Perks, Cabinet Member for Finance and Resources

Other People in Attendance

Iain Murray, Key Audit Partner (Grant Thornton)

Item

No.

1 Apologies for Absence

Apologies for absence were received from Dr Susan Blackall and Councillors Mick Hayes and Jackie Smith.

2 Urgent Business

There was no urgent business for the meeting.

3 Declarations of Interest

Councillor Pat Slattery stated in relation to Item 5 that she was a beneficiary of the Royal Borough of Greenwich Pension Fund.

Resolved -

That the list of Councillors' memberships as Council appointed representatives on outside bodies, joint committees and school governing bodies be noted.

4 Minutes

Resolved -

That the minutes of the meeting of the Audit and Risk Management Panel held on 12 July 2021 be agreed and signed as a true and accurate record.

5 Statement of Accounts 2020-21

The report was introduced by the Assistant Director Corporate Finance. He indicated that it had been a difficult year in terms of delivering the Statement, with the majority of the work being undertaken remotely. He thanked Officers and colleagues at Grant Thornton for their work on the matter.

The Key Audit Partner at Grant Thornton presented the Audit Findings Reports. He commented that there were few authorities in a position to sign off the accounts by the 30 September. He explained that they routinely subjected some of their audits to a 'hot review' which looked to see if there were areas for improvement for improved disclosure. As a result of that there was always an increased number of changes but that was not necessarily reflective of any underlying issues rather it was about best practice. He stated that the work around Value for Money had been delayed in line with the timetable set out by the national audit office. He indicated that Grant Thornton were planning on issuing unqualified opinions for both accounts; it was not expected that anything significant would arise from the remaining work on the accounts.

In response to questions from the Panel about timelines, the Key Audit Partner at Grant Thornton stated that the opinion on the financial statements was expected to be finished by 30 September while the Value for Money work was expected to be finished by 31 December. The Director of Finance

added that the intention was that the Value for Money aspect would come before the Panel and then to Council.

In response to questions from the Panel about IFRS16, the Key Audit Partner at Grant Thornton replied that IFRS16 had been deferred several times for the public sector and was now expected to come in on April 2022 so would be included in next year's financial statements; it was anticipated that it could be highly material in terms of its effect. The Director of Finance added that it represented a substantial piece of work, they were seeking to establish what the impacts were going to be, and it was under review at the moment.

In response to other questions from the Panel, the Key Audit Partner at Grant Thornton explained that with regard to the valuation of assets he explained that they did not duplicate or re-perform the work of the Council's valuer rather they looked at the overall process that the Council valuer applied and compared that to expected practice and they also looked at some key inputs and assumptions. He clarified that with regard to valuation of housing assets in terms of rebuilds it had to be taken into account that rebuilds were not rebuilt like for like. Obsolescence and the age of a property were also taken in account in valuation. So the value shown was not market value nor a true replacement cost value. He commented that property values had been subject to volatility during or arising from the pandemic. In both the AFR statements there were disclosures of material evaluation uncertainties because there had not been the available data in the marketplace; the view was that there was now enough data for an estimate to be made, but there was still uncertainty and so that was an area of risk.

On behalf of the Panel the Chair thanked Finance Officers and Grant Thornton for their work.

Resolved –

1. That the Audit Findings Report (AFR) for Royal Borough of Greenwich AFR (at Appendix 1b of the report) and for the Royal Borough of Greenwich Pension Fund (at Appendix 2b of the report) be noted.
2. That the required amendments to the 2020/21 draft accounts, detailed in the relevant AFR, summarised in Appendix 1c of the report and in Appendix 2c of the report be noted.
3. That there are no comments for Council scheduled for 30 September 2021.

4. That the AFR in respect of the Pension Fund accounts is also being considered by the Pension Fund Investment and Administration Panel in December 2021 be noted.

6 Treasury Management and Capital Outturn

In response to questions from the Panel the Assistant Director Corporate Finance confirmed that changes in the debt maturity profile was due to historic rates. He said that Officers would consider the use of the terms 'streets' as opposed to 'highways' in relation to the Local Improvement Plan. He explained that transparency had been sought with regard to the flexible use of capital receipts, and as they moved into a new medium-term financial strategy cycle they would be reviewing all of the savings to see if any had slipped.

In response to questions from the Panel about the flexible use of capital receipts, the Director of Finance replied that the flexible use of capital receipts was due to expire March 2022, but an extension had been granted for another couple of years. They did not want flexible use of capital receipts to end up being substitution what was sought was actually replacing the revenue spend whether that might be through a cash reduction year on year or a reduction in demand. This was the first report on the first set of proposals showing how they were now starting to generate outcomes and it would continue to be monitored in further reports; it was logical to link it in with the time that the Treasury Management and Capital Outturn report was presented.

In response to questions from the Panel about ICT costs, the Director of Finance explained that within the new digital investment programme there had been an ask so that the Council could make the investment that was needed to be made in digital services.

Councillor Linda Perks, Cabinet Member for Finance and Resources, commented that there was effectively a five-year programme for the Digital Strategy which involved not just investing early in ICT equipment but also on reprofiling the ICT staff to enable more work to be done electronically and remotely for residents. The Cabinet Member advised that they were on the cusp of rolling out the first stages of being able to deal with council tax digitally.

The Chair informed the Panel that the Corporate Finance and Performance Scrutiny Panel considered customer service delivery and the digital transformation.

In response to other questions from the Panel, the Director of Finance indicated that section 11.9 of the report gave a breakdown of capital expenditure for housing development. He clarified that there were three core underlying principles in the Prudential Framework and that is that borrowing should be affordable, sustainable and prudent, and there were performance indicators on which they were measured and it was reported in the budget. He explained that the variance shown in Table 6 was between forecast spend and actual spend and did not represent overspend. The General Fund and the Housing Revenue Account were separated because they were resourced differently. If there was slippage in projects it would not affect things overall. He advised that matters would be picked up in the mid-year report.

A question arose from the Panel about training for Panel Members. The Chair stated that he would discuss with Officers when would be the best time to do new training, but probably in the next municipal year.

On behalf of the Panel the Chair thanked the Treasury Management Officers for their work.

Resolved -

1. That the Treasury Management Outturn Report for 2020/21 (Sections 4-10 of the report) be noted
2. That the Capital Outturn Report for 2020/21 (Sections 11-14) be noted

7 Internal Audit and Anti-Fraud – Performance Report April 2021 to June 2021

The report was presented by the Assistant Director of Finance (Financial Governance & Audit). He drew the Panel's attention to

- The high number of school audits, which was the most they had ever had
- Productivity being down which was as a result of staff being redeployed to help with the response to Covid-19.
- The data matching exercise in relation to Covid-19 business support grants

The Assistant Director added that time had been spent in trying to reinvigorate interviews with suspected fraudsters which had not able to be undertaken during the pandemic.

In response to questions from the Panel, the Assistant Director of Finance (Financial Governance & Audit) indicated that the six investigations into Covid-19 Business Grant Fraud came out of the data matching exercise. There were additional cases but they were discovered to have had a valid reason. It had highlighted a weakness in the small business rate relief system which was a general problem across the country.

The Chair thanked officers for the speed at which they were able to process Covid-19 Business Support Grants

In response to questions from the Panel, the Director of Finance explained that the Council was obliged to conduct a review of its processes, a post-payment assurance review, which was conducted by the internal audit manager. The small business rate relief was probably the largest contributor to the allegations of fraud, so a review was being undertaken of the small business rate relief in which businesses would be made to contact the Council and confirm their circumstances. With regard to council tax exemption there was an annual data matching exercise by the National Fraud Initiative and the Council also undertook an enhanced data match and then the Council would contact those individuals thrown up by matching and ask them to confirm their circumstances and if they did not the single person discount would be removed from their account. There would need to be a clear case of a deliberate fraud for a case to be investigated by internal audit and anti-fraud team.

Resolved -

That the Internal Audit and Anti-Fraud performance in relation to the delivery of the Royal Borough's Internal Audit Plan and the prevention, detection and investigation of fraud, for the period April 2021 to June 2021 be noted.

The meeting closed at 8.04 pm

Chair