

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

## 1 SEPTEMBER 2010

**Chairman:** \* Councillor John Cowan

**Councillors:** \* Mano Dharmarajah \* Richard Romain  
\* Thaya Idaikkadar \* Sachin Shah  
\* Nizam Ismail \* Yogesh Teli

**In attendance:** Graham Henson Minute 27  
**(Councillors)** Bill Stephenson Minute 27

\* Denotes Member present

### 21. Attendance by Reserve Members

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

### 22. Declarations of Interest

**RESOLVED:** To note that there were no declarations of interests.

### 23. Minutes

**RESOLVED:** That the minutes of the meeting held on 29 June 2010, be taken as read and signed as a correct record, subject to the resolutions in relation to Minute 12 (2010/11 Internal Audit Plan) being amended to read as follows:

That

- (1) the 2010/11 Internal Audit Plan be approved and it be noted that the service manager expected all work to be on schedule;

- (2) the response to the efficiency review be reported at a future Committee meeting;
- (3) the Committee expresses concern that the internal audit vacancies remain unfilled.

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

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

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

**RESOLVED:** To note that there were no references from other bodies.

### **RESOLVED ITEMS**

#### **26. Risk Management**

Members received an annual report setting out the progress made in managing risks and compliance with the governance framework, and how these functions aligned with best practice. An officer advised that a report on risk management would also be submitted to the October Cabinet following appropriate consultation with relevant bodies.

The Committee was briefed on the key risk management achievements during the past year and planned initiatives for 2010/11. An officer described the improvements made to the Risk Management Strategy from the previous year.

Members asked questions on the Risk Register, pointing out:

- the need for a user-friendly policy to be made available to staff on the intranet and by other suitable means;
- how risk criteria were being communicated to staff at all levels;
- if compliance was monitored and implications of defaulting.

In response, an officer explained how Risk Registers would be shared and undertook to report to the November meeting. It was noted that there were 17 items on risk register, which was updated on a regular basis. He added that there were Risk Management Champions in each Directorate who were responsible for cascading best practice. A Management Induction Programme was in place and an e-learning toolkit was being developed. It was further advised that compliance was monitored in the form of a questionnaire. Service Managers were expected to capture risks and ensure that substantial risks were escalated. An officer undertook to provide a risk register to Councillor Romain.

**RESOLVED:** That

- (1) the risk management position be noted;
- (2) the Risk Management Strategy be endorsed.

## **27. Risk, Audit and Fraud Service Efficiency Review**

Members received a report of the Corporate Director Finance in relation to a service efficiency review of the Risk Management, Internal Audit and Corporate Anti-Fraud teams.

An officer stated that although the service provided by the teams was excellent, a review had been conducted as it was considered timely. He informed the Committee that the Corporate Strategy Board had considered the report and further work was carried out to address the concerns raised. Following receipt of legal advice and discussions with key Members, a revised proposal was before the Committee, which was a compromise between the perceived benefits of co-sourcing and the concerns raised. The Committee was briefed on the main changes, as described under paragraph 2.20 of the report, and advised that consultation would end on 17 September 2010.

In response to questions from Members, the Corporate Director Finance described how co-sourcing would work and stated that it was important to have an independent review of services, which would enable the Council to gain access to best practice, provide new ideas and allow the service to call on specialists, as and when required, for shorter periods and provide added value to the limited resources available as and when required. This course of action would allow the service to be future proof.

A Member expressed reservations about co-sourcing and the tender process described. He could not support the proposals described at appendix 3 of the report and was not motivated by the quantum of change proposed. He sought further information on the efficiency savings proposed.

The Corporate Director of Finance stated that the proposals were an attempt to review the service. All services would be reviewed and altered as the Council moved forward and dealt with the challenges that lay ahead in a difficult financial situation. She explained why the tendering process was necessary and the service would not be outsourced but, that co-sourcing would bring in capacity when necessary. Both Camden and Islington Councils operated successful co-sourcing arrangements. The outcome of the consultation would determine the process by which the contract would be awarded.

The Corporate Director assured Members that the matter would come to GARM prior to a contract being awarded. Whilst she had delegated powers to award contracts, these would not be used where the contract was considered controversial. The Leader of the Council stated that the relevant Portfolio Holder could make the decision.

The Chairman stated that historically, the Committee had not always been fully consulted on proposals. A considerable number of vacancies had existed for a long period and the Committee had expressed concern why they had not been filled. Whilst he was supportive of advertising the in-house posts, he noted that external expertise would also benefit the Council. He moved that a draft tender specification be provided to the Committee in November 2010 by which time the results of the advert process for the internal posts would be known. This approach would allow the Committee to discuss the matter fully and reach a decision.

The Portfolio Holder for Performance, Customer Services and Corporate Services stated that two vacancies could be advertised and the remaining two could be held back until the outcomes of the proposal were known. The Corporate Director stated that agency staff would continue to be used and that she would proceed with the recruitment process for two vacancies until such time as the contract was in place. Any new contract would not come into force before July 2011.

**RESOLVED:** That

- (1) the review work undertaken to date be noted;
- (2) a further report be submitted to the November meeting setting out the outcome of the consultation process, the results of the recruitment process for the internal posts and the draft contract specification for co-sourcing;
- (3) the Corporate Director of Finance proceed with the internal recruitment process for two vacancies.

## **28. Annual Governance Statement 2009/10**

The Committee considered the report of the Corporate Director Finance reviewing the effectiveness of the Council's system of internal control in line with statutory requirements.

An officer highlighted the key aspects of the report and stated that 7 new gaps in governance arrangements were identified during the 2009/10 review and an action plan had been developed to ensure that gaps were closed in a timely fashion and no changes were proposed to the existing Code of Corporate Governance. The officer commented that the internal audit opinion on the overall control environment showed an improvement on the previous year.

Members commented on the appointment of risk champions and the management of risks with partners. They discussed the usefulness of the information provided and whether it was user friendly. A Member further advised out that some of the links did not work.

An officer confirmed that navigation issues would be examined and explained how risk champions were appointed and reviewed.

**RESOLVED:** That

- (1) 2009/10 Annual Governance Statement, Action Plan and the Evidence Table at appendices 1-3 be noted and it be also noted that there were no recommendations to enhance the Statement;
- (2) the progress made on the 2008/09 Annual Governance Statement Action Plan be noted;
- (3) the final internal audit opinion on the overall control environment be noted.

**29. Management Assurance Report 2009/10**

An officer introduced the report, which invited Members to undertake an independent review of the results of the 2009/10 Management Assurance Exercise and sought confirmation of its suitability for use as supporting evidence for the Annual Governance Statement.

Members were informed that assurance levels had increased and that 'stretch' areas of assurance had been introduced that had an assurance level of 50% rather than a challenging 80%, which had been set for the majority. This was because the areas of assurance were new, which need to be embedded. Members queried aspects of assurance levels set. A Member was of the view that the lack of responses from managers on self-assessments ought to be seen as poor prioritisation rather than a reflection of increased demands on their time.

**RESOLVED:** That the 2009/10 Management Assurance Exercise be used as supporting evidence for the Annual Governance Statement.

**30. Statement of Accounts: Progress on Audit of Accounts**

The Chairman welcomed Matthew Hall and Paul Schofield representing Deloitte LLP, the Council's external auditors, to the meeting to provide a status update on the Statement of Accounts. The Chairman invited the Corporate Director Finance to address the meeting prior to receiving the report from the auditors.

The Corporate Director stated that the audit process to date had been smooth and that a number of adjustments had been made with the agreement of the auditors. She circulated a summary status update received from the auditors and informed the Committee that a full report would be presented to the next meeting.

The auditors informed the Committee that:

- the status of the audit was satisfactory and it was on track. Officers had met all deadlines;
- gains and losses were being discussed further with a view to determining a bottom line;

- three uncorrected mis-statements had been identified, such as an overstatement of insurance of £400k and, an overprovision of bad debt risk for housing benefit overpayments;
- recommendations on internal controls would be made and these would, initially, be discussed with the Council's management team.

In response, the Corporate Director reminded Members of a shortfall in insurance provision a number of years ago and the need to be prudent and ensure that there was capacity built-in for future years. She also explained the need to recover all overpayments made to housing benefit claimants and highlighted the need to observe the rules on when and how the overpayments could be recovered. Members were informed that work was being carried out in this area to improve the situation.

Looking ahead, debt recovery was going to be challenging, the number of people receiving benefits was on the increase and, as a result, overprovision was considered a prudent measure. A Member agreed with this view and suggested that this qualified message in the form of a statement ought to be reflected in the accounts. The auditors explained that the uncorrected misstatements were not considered material in the context of the financial statements taken as a whole.

Members asked queries on the accounts and highlighted minor errors. In summing up, the Chairman stated that the Committee had previously agreed the draft accounts. Since then, adjustments had been made and the purpose of this meeting was to ask pertinent questions and raise any major concerns on the updated accounts, which had been made available at the training session held that day. Any queries relating to individual figures should be raised directly with officers prior to the next meeting when the accounts would be approved and signed. The Chairman thanked the auditors for their report.

#### Audit Commission, Comprehensive Area Assessment (CAA) and Use of Resources

In response to questions about the recent announcement from the government to abolish the Audit Commission from 2012, the Corporate Director of Finance circulated emails received from the Managing Director of Local Government, Housing and Community Safety setting out some arrangements following the announcement to abolish the Audit Commission and the cessation of the CAA and Use of Resources. The Committee was updated as follows:

- the Commission appointed auditors and future arrangements following its abolition were not known at this early stage. Until 2012, Deloitte would continue act as the Council's external auditors. After 2012, the Council would have to make its own appointment and there might be a London-wide procurement exercise in this regard;

- the cessation of the CAA and Use of Resources measurements would result in a reduction in audit fees. The new arrangements for auditors' work on value for money had been put in place for the 2010/11 accounts and future years.

**RESOLVED:** That

- (1) the status update on the accounts be noted;
- (2) queries relating to individual figures in the draft accounts be raised with the Corporate Director Finance prior to the next meeting;
- (3) it be noted the final Statement of Accounts would be submitted to the next meeting for approval;
- (4) the position in relation to the Audit Commission, CAA and Use of Resources be noted.

### **31. Any Other Urgent Business**

#### Programme for 2010/11

**RESOLVED:** That the outstanding report setting out a Programme for 2010/11 that included the new responsibilities of GARMC into account be presented to the next meeting of the Committee.

#### Training – 1 September 2010

The Chairman thanked officers for arranging the training, which whilst informative, had also been challenging. The Corporate Director circulated papers provided at the training session to Members who had submitted their apologies.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.35 pm).

(Signed) COUNCILLOR JOHN COWAN  
Chairman