

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

4 SEPTEMBER 2012

Chairman: * Councillor Bill Phillips

Councillors: * Mano Dharmarajah * Richard Romain
* Amir Moshenson * Victoria Silver
* Chris Mote * Ben Wealthy (1)

* Denotes Member present
(1) Denotes category of Reserve Members

178. Welcome

The Chair welcomed all present to the meeting, and introduced Mr Paul Schofield and Ms Anna Parker of Deloitte LLP to the Committee.

179. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member

Reserve Member

Councillor Sue Anderson

Councillor Ben Wealthy

180. Declarations of Interest

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

181. Minutes

RESOLVED: That the minutes of the meeting held on 26 June 2012, be taken as read and signed as a correct record, subject to the following amendments:

Minute 168, 'Internal Audit Year-End Report 2011/12', paragraph 5,

- first bullet point be amended to read 'an explanation was required where targets were missed, including reasons. A Member commented that missed targets were unacceptable';
- fourth bullet point be amended to read 'whether Internal Audit was adequately resourced and whether the Committee could assist in ensuring that adequate resources were available. Upon a response that, in the current environment, Internal Audit had seven staff and was therefore adequately resourced, the Member stated that he did not consider a headcount of seven staff to be adequate and that the administration needed to take this on board. The Corporate Director of Resources stated that staffing levels were appropriate and their skills adequate, including those relating to the monitoring of Treasury Management';
- bullet point eleven be deleted.

182. Public Questions, Petitions and Deputations

RESOLVED: To note that no petitions were received, questions put or deputations received under the provisions of Committee Procedure Rules 17, 15 and 16.

183. References from Council and other Committees/Panels

None was received.

RESOLVED ITEMS

184. Replacement of Councillors on Committees

RESOLVED: To note the notice given by the Conservative Group of the replacement of Councillor Stephen Wright with Councillor Kam Chana as 2nd Reserve Member.

185. INFORMATION REPORT - Appointment of External Auditors

The Committee received an information report from the Assistant Chief Executive, which set out the Audit Commission's confirmation of the Council's External Auditor from 2012/13 to 2016/17.

The Divisional Director of Risk, Audit and Fraud informed the Committee that the Audit Commission was to be disbanded, and that transition arrangements

provided for local authorities to continue with their existing external auditor where a contract was established and working well. Deloitte LLP had been the Council's External Auditor since 2003, and a good working relationship had been developed; thus it had been decided to retain the company in this role. Confirmation of the contract until 2017 would ensure minimum disruption to the Council's audit practices and allow sufficient time to prepare for any necessary new arrangements from that date.

In response to a Member's query about monitoring value for money, by both Deloitte LLP and the Committee, the Divisional Director explained that the duty was outlined in the Committee's Terms of Reference and the Work Programme. In addition, the Committee met separately to discuss and agree fees. The Member was concerned that the Committee did not perform its monitoring role in this regard, and in response to his question about what test was applied, the Divisional Director referred to CIPFA's self-assessment tool.

Mr Schofield added that there was a formula, determined by the Audit Commission, for setting fees. The range was small but allowed for variation, and that benchmarking data was provided by the Audit Commission.

RESOLVED: To note the appointment of Deloitte LLP as the Council's External Auditors.

186. Audit Progress Report 2011/12 Accounts

Members received a report from the Corporate Director of Resources, which set out progress on the 2011/12 audit of the Statement of Accounts.

An officer explained that this was a progress report, as the External Auditor was working on the final report, and that the final Statement of Accounts was prepared in accordance with Audit Regulations. The report contained no material mis-statements, but highlighted a number of minor points and control issues. A training session had been arranged for Members on the 19 September, in advance of the GARM Committee meeting on 24 September at which the final Statement of Accounts would be presented to the Committee for consideration and approval.

Mr Schofield agreed that there were no major issues to raise, and that the team were on target to meet the reporting deadlines. Ms Parker outlined a number of inconsistencies which had been investigated, and which had been found not to be errors, but which required a different approach in future, including;

- property valuations
- pension liabilities
- management override of controls
- accounting for Academies
- separate accounting and banking arrangements for West London Waste

A Member reminded the Committee of a previous decision, in relation to the pension portfolio, which had been subject to an actuarial valuation during 2011-12, and asked the Council's External Auditor to refer to the relevant minute in this regard.

In relation to the holding of a separate bank account for West London Waste, Members queried why this had not been addressed previously in light of the risks involved. Whilst an interim solution had been identified, the matter needed to be resolved and Members asked that this be taken forward by the Assistant Chief Executive.

Members queried if, in Deloitte LLP's view, the Internal Audit team was sufficiently well resourced to fulfil their role and meet their statutory obligations. Ms Parker and an officer agreed that the team was working at capacity, but stated that if an urgent problem emerged, then it would be given immediate attention; however, it was likely that other work would have to be set aside in order to accommodate this. A Member expressed doubt that the Internal Audit team was sufficiently resourced. He was firmly of the opinion that the administration needed to address this aspect, led by the Assistant Chief Executive. In response, Mr Schofield suggested that the Committee would need to identify the scope of its work and match it with the resources required. He added that he would be attending the training session on 19 September and advised Members to contact him, if necessary, during the period leading up to the session.

RESOLVED: That

- (1) progress to date be noted;
- (2) there would be a briefing session on 19 September in order to brief Members in advance of the final accounts for 2011/12 being signed-off.

187. Management Assurance Report 2011/12

An officer introduced the report of the Assistant Chief Executive, which set out the results of the 2011/12 Management Assurance Exercise (MAE) and outlined the purpose of the annual MAE in promoting good governance and facilitating self-assessment by senior managers in demonstrating that effective procedures were in place and were being used appropriately. She added that the results of the exercise would be used as supporting evidence in the Annual Governance Statement (AGS) and described the targets for assurance and whether these had been met. In her view, the 17% reduction against figures for last year reflected a greater awareness among managers and more accurate assessment and reporting.

Members expressed their concerns about results in a number of areas, namely:

- inconsistency of assessment and reporting by managers;
- repeated failings to respond and repeat 'offenders';

- slow response by officers to address identified weaknesses or failings;
- corporate support and action to ensure robust governance and assurance;
- gaps in 'reality checks';
- suitability of SAP for local authority use;
- ease of use of SAP;
- timing discrepancies between orders and invoices.

In response to a perceived inaccuracy in the report, an officer explained that the report covered the reporting period 2011/12 and up to the date of sign-off, therefore recent developments would also be included. With regard to the Children and Families Directorate, improvements were expected following the recent appointment to a post that would entail ownership of Management Assurance.

It was moved, seconded and agreed by Members that the decision to approve the report be deferred until Members had received and commented on a revised report containing more detail as requested. Members could not support the suitability of the results of 2011/12 MAE as evidence for the Annual Governance Statement. Members requested that a report be submitted to the Committee setting out evidential information, including reality checking, which Directorates were compliant and which had a poor response, and associated risks.

RESOLVED: That

- (1) Members' concerns about robust mechanisms for the provision and quality of the information provided by managers for the report, in the light of the Committee's duty to approve the report's suitability as supporting evidence for the Annual Governance Statement be noted;
- (2) officers refer the report and Members' comments back to Corporate Governance Group and provide a revised report containing greater detail in those areas requested by Members;
- (3) sign-off of the report be deferred until the Committee had received and considered a revised report;
- (4) a report be submitted to the next meeting of the Committee.

188. Annual Governance Statement 2011/12

The Committee received a report of the Assistant Chief Executive which set out the Council's Annual Governance Statement (AGS) for 2010/11, which was necessary to meet the requirements of the Accounts and Audit Regulations 2011.

An officer outlined the process for drafting and completing the AGS and the key areas of assurance covered. She also explained that the timescale for producing an Action Plan (as an outcome of the AGS) had changed to allow more time for officers to engage in the process. The Action Plan would be submitted to the Committee in November. She noted that a significant risk remained in respect of IT recovery, for which the impact of a failure would be potentially very serious, but the probability of such an occurrence was believed to be very low. There were some areas for which data still needed to be compiled, and the report was still at a draft stage.

A Member commented that the various processes, such as Improvement Board and budget setting processes, were not consistent with the commissioning process, as Directorates continued to meet within rather than across departments. In response to a Member's query about how existing decision making processes facilitated the Council's new direction towards commissioning, the Assistant Chief Executive commented that many performance indicators had evolved from traditional assessment methods, and were often more about measuring process rather than outcomes. He agreed it would be desirable to adapt processes and define new measurements and performance indicators, but it was also important not to lose historical data which provided comparative and benchmarking information. Any migration would be phased and he recognised the need to include outcomes. Another Member stated that whilst she recognised the need for a phased migration, she was concerned about the risks associated with taking this approach. The Assistant Chief Executive commented that there was a need to move towards the Monroe Review in respect of social care for children; Adult Services had moved towards outcome based indicators. He undertook to take forward the requests made by Members.

Members discussed existing and possible assessment measures, and the need for an interim transition period between models of operation and reporting methods.

Members then suggested amendments in a number of areas:

- *p37, para 2.2* - delete 'failure to achieve';
- *pps41-42, para 3.17* - provide an update on the 'Value for Money' conclusion;
- *p47, para 7.10* - delete 'and approved';
- *p52, para 13.6* – add 'in some cases';
- *p56, para 15.5* – re-write this paragraph;
- *p57, para 16.3* – change 'only significant' to 'a significant'.

Members also asked for and received clarification on the following points:

- *p43, para 5.2* – code of conduct;
- *p31, para 3.34* – consistent approach for validation;
- *p48, para 9.1* – updates on changes to legislation.

A Member also queried the Council's willingness and action to pursue losses incurred through damage to Council property by third parties.

A Member noted that the report did not ask for Members' 'approval' of the report, and stated that it should require Members to both 'note' and 'approve' the report, given their key role in reviewing both the Management Assurance Report and the AGS. He then suggested that Members should note and provisionally agree the report, subject to a satisfactory revision of the Management Assurance Report. The Committee should have an opportunity to review and comment on the Annual Governance Statement, prior to it being signed on 12 September. He suggested that a nil response from any Members should be treated as an implicit approval of the revised report.

He also suggested that in future years the draft AGS should be circulated to all Members of the Council so that all would have an opportunity to provide feedback, and could then sign up to the document.

RESOLVED: That

- (1) the requested amendments be incorporated into the AGS;
- (2) the report be noted and provisionally approved, subject to a satisfactory revision of the Management Assurance Report;
- (3) progress on the AGS Action Plan be noted.

189. INFORMATION REPORT - Changes to the Resources Directorate Structure affecting future GARMC reporting

The Assistant Chief Executive introduced the report, which set out future changes to the Resources Directorate in relation to areas monitored by the Committee. He outlined the background to the Chief Executive's restructure programme, and updated Members on progress since consultation began in October 2011. He stated that the new post of Director of Finance and Assurance would fulfil the role of Section 151 Officer, and report to the Director of Resources and the Chief Executive. The post holder would also support GARMC and attend the Corporate Strategy Board meeting as appropriate.

Members considered the deletion and creation of posts, and how this would affect responsibilities and reporting structures. They also queried the scope of consultation with business partners and stakeholders on the proposed restructure. In response, the Assistant Chief Executive stated that informal discussions had taken place with the Council's business partners, and he agreed to provide feedback.

RESOLVED: To note changes to the Resources Directorate and timescales for delivery.

190. Any Other Urgent Business

Lead Member Roles

The Chair suggested that Councillor Wealthy's current employment would make him an ideal candidate to fill the Lead Member vacancy for Health and Safety. Councillor Wealthy agreed to accept the role.

Terms of Reference

In response to a Member's query about when they could expect to see a revised Terms of Reference document, incorporating their suggested amendments, an officer explained that no specific date had been given, and that a report would come before Committee at the November meeting.

Partnership Risk Register

Members requested a progress update on the proposed Partnership Risk Register.

Training

A Member asked for an explanation as to why the planned training (as minuted at the previous meeting) had not been provided; in response, an officer apologised for the delay in commencing the programme and tabled a proposed programme for training sessions to take place prior to committee meetings. A Member commented that he would have expected Sector to have provided the training in treasury management.

The Committee considered the proposed programme, and, following a Member's proposal, was of the view that it would be better to devote a full day to training when one or two topics could be explored in detail. They felt this would be more effective in developing Members' knowledge of a particular subject. A Member added that in order to ensure continued expertise and understanding on the part of GARM Members, the training should be mandatory. A Member asked that training on governance and matrix be explored.

All Members agreed that if a suitable date could be identified, they were willing to commit to a full day for training purposes. Officers suggested that a date in November would allow them to develop and organise a programme for the day.

RESOLVED: That

- (1) Councillor Ben Wealthy be appointed as Lead Member for Health and Safety;

- (2) a report on revisions to the Terms of Reference be brought to the November 2012 meeting;
- (3) a report on the proposed Partnership Risk Register would be brought to a future meeting of the Committee.
- (4) officers canvass Members for a suitable date, and plan and deliver an appropriate training programme for Committee Members on the agreed date.

The meeting, having commenced at 7.31 pm, closed at 9.44 pm.

(Signed) COUNCILLOR BILL PHILLIPS
Chairman