

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

23 JANUARY 2013

Chairman: * Councillor Bill Phillips

Councillors: * Sue Anderson * Chris Mote
* Mano Dharmarajah * Richard Romain
* Amir Moshenson * Victoria Silver

In attendance: * Graham Henson Minutes 218, 219, 220, 221
(Councillors)

* Denotes Member present

213. Attendance by Reserve Members

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

214. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 9 – Half-Year 2012-13 Treasury Management Activity and Counterparty Policy Review

Councillor Romain declared a non-pecuniary interest in that he was an investor in one of the institutions referred to. He would remain in the room whilst the matter was considered and voted upon.

215. Minutes

A Member expressed his concern that the minutes did not sufficiently reflect the strength of feeling and views expressed by a majority of Committee Members in respect of the discussion about staffing levels in the Internal Audit

team. In addition, resolution 206(3) did not capture the Committee's intention to progress the matter if the staffing issue was not satisfactorily resolved.

RESOLVED: That the signing of the minutes of the meeting held on 29 November 2012 be deferred until the next meeting, to allow the Committee to consider and agree the amendments requested, namely the addition of the following resolution:

(4) that, should the posts remain vacant, the Committee would seek to recommend a course of action to Council.

216. Public Questions, Petitions and Deputations

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

217. References from Council and other Committees/Panels

RESOLVED: To note that none was received.

RESOLVED ITEMS

218. IT Disaster Recovery

The Panel received the report of the Director of Customer Services and Business Transformation, which set out the current arrangements and position regarding IT disaster recovery. She explained that she had not attended the previous meeting because she had not known the item was to be discussed, as it had featured in a much longer report.

She defined disaster recovery (DR) and described the varying levels of preparation that could be put in place to ensure the security of data and systems in the event of major disruption. Level 1 was the most basic and involved the regular copying and storing of data in a separate and secure location; the Council had always practised this level of DR. Level 2 has 3 options, (hot, warm and cold), as detailed in the report.

When Capita took over delivery of IT in 2010, officers had considered the potential for increasing DR capacity as this would now be Capita's responsibility, and represented a significant performance indicator within their contract.

Services had been consulted as to their individual risk and DR requirement, and their responses had informed the current DR capacity, with telephony, Frameworki and the internet identified as the priority areas; all three now had DR in place which has been user tested.

The original intention had been to locate a primary data centre in Capita's West Malling site with a secondary data centre in Laindon, which would place all the risk and responsibility for DR with Capita, but at a cost. However, the continuing financial situation and budget constraints had led to a proposal to

retain the primary data centre in Harrow with the secondary data centre in West Malling, which would reduce costs but also return an element of risk (as landlord and 'host' of the centre) to the Council.

A Member observed that the report, as it stood, did not enable him to understand or discharge his role as a Member of GARMC in monitoring risk management in this area. Without more detail on accepted industry standards, benchmarking with other, similar authorities, and an assessment of comparative data, he could not establish if Harrow's current practice was satisfactory, or provide meaningful comment. He proposed that the Committee refer IT Disaster Recovery to Performance and Finance Scrutiny Sub-Committee for consideration.

Members discussed the levels and types of risk across services, and how to balance optimum levels of DR against costs.

The Director of Customer Services and Business Transformation pointed out that many of the issues raised related to Business Continuity (BC) rather than DR and suggested that a further report on BC rather than DR might be beneficial. It was agreed this was the case.

The Corporate Director of Resources described the cost / benefit spectrum, and the difference in dynamic between the private and public sector. In general, local authorities were not as reliant as the private sector on sophisticated IT systems to deliver income streams from a cash-flow perspective following a disaster, but required data and communications to support vulnerable individuals and groups and to meet statutory obligations.

A Member enquired if CIPFA provided advice on suitable mechanisms to assess acceptable levels of risk and proportionate costs. The Director of Customer Services and Business Transformation explained that 'SOCITM' was the industry organisation; benchmarking information would be available in 6 to 8 months time and she agreed to submit a further update report to the Committee.

RESOLVED: That

- (1) the report be noted;
- (2) a further report on Business Continuity be submitted to a future meeting of the Committee;
- (3) the matter of IT Disaster recovery be referred to Performance and Finance Scrutiny Sub-Committee for consideration.

219. Half Year 2012/13 Treasury Management Activity and Counterparty Policy Review

The Panel received the report of the Corporate Director of Resources, which set out a half year summary of Treasury Management activity for 2012-13, and included possible revisions to the Counterparty Policy.

Members considered the need for balance between achieving income and the security and liquidity of funds. A Member also commented on the need to be flexible and responsive when market conditions changed.

An officer advised on the optimum number of institutions in which funds might be placed, and how banks and institutions were assessed for security and viability in the current, uncertain economic climate. Members considered whether smaller institutions were worthy of consideration when investing funds, if higher returns mitigated against higher risk.

RESOLVED: That

- (1) the treasury activity management for 2012/13 be noted;
- (2) the proposed changes to the Counterparty Policy be approved.

220. Risk, Audit & Fraud Division Activity Update Report (Q3)

The Committee received the report of the Assistant Chief Executive and the Corporate Director of Resources which provided an update on the current work streams of the Risk, Audit and Fraud group of services.

Before considering the report, the Chairman noted that this would be the last attendance at GARMC by the Divisional Director for Risk, Audit and Fraud, and he recorded his thanks for the unwavering support he had received as Chairman, and the professionalism, knowledge and patience displayed by the Divisional Director in all his dealings with the Chairman and Committee. In particular he had appreciated his ease of communication and his ability to anticipate Members' needs.

Members concurred and added their own thanks, noting further that, notwithstanding differences and difficulties, he had always acted in a constructive and supportive manner and had never failed to deliver what had been asked for. Members concluded that it had been a pleasure to work with him and he would be missed.

The Divisional Director for Risk Audit and Fraud thanked Members for their comments and appreciation, and said it had been a pleasure to work with the Committee. He then introduced the report and outlined activity in the following areas:

Occupational Health

A new Occupational Health and Employee Assistance Programme had been procured delivering savings of £70k per annum, which would commence on 1 February 2013.

Municipal Mutual Insurance

The Council has made provision for existing and future liability, as advised by the actuary.

Statement of Risk Appetite

Members commented that the statement was both hard to read and hard to understand as insufficient detail had been provided to allow them to consider the statement in context, and what it was intended to achieve. They considered that training would be helpful in describing the process of assessment and in defining their role in relation to monitoring risk.

A Member suggested that the statement should be a strategic document to cover the 4 year term of an administration, and relate to the stated objectives.

The Corporate Director of Resources advised Members that the Risk Statement was a 'live' document, updated annually, which contained both 'acceptable' risks and 'manageable' risks and which provided a framework for defining and assessing risk.

RESOLVED: That the report be noted.

221. Any Other Urgent Business

In accordance with the Local Governance (Access to Information) Act 1985, the Chairman agreed to consider the following matters which had arisen from the minutes of the previous meeting.

Training

Members discussed the content and timing of training, and having stated their individual circumstances and constraints, were unable to agree on an ideal combination. A Member suggested a form of distance learning, in which Members would receive training materials at home which could then be discussed and clarified during the group session before a meeting.

Members agreed to continue to plan for an hour's training session prior to the scheduled meeting, with the understanding that not all Members would be able to attend on time. It was also agreed to complete the CIPFA self-assessment exercise at the next training session, which would take place before the next scheduled meeting at 7.00 pm on 4 April 2013, with the Committee meeting following at 8.00 pm. It was, therefore,

RESOLVED: That

- (1) GARMC Members will continue to receive training in one hour sessions prior to scheduled meetings;
- (2) the next GARMC meeting will take place at 8.00 pm and will be preceded by a training session starting at 7.00 pm on 4 April 2013.

Internal Audit Staffing Levels

The Chairman began by describing the importance of the work of the Internal Audit team in being the major source of information for GARMC, and in driving efficiency and ensuring compliance with statutory requirements. As a result the Committee had had serious concerns on learning that the planned

recruitment to 2 posts would be delayed, and these concerns remained as the Committee now learned that only one post would be filled. He considered it was vital to establish an appropriate level of staffing, and to determine what would be the minimum number of staff required to meet statutory obligations.

Members noted that the team had operated with 5 members of staff for the last 4 years, while the posts had remained vacant.

A Member commented that the work of the team continued to increase, and that a fully staffed team would be in a position to identify problems and address them quickly, reducing potential risk and cost to the Council. The Corporate Director of Resources commented that the work of the Internal Audit team was focused on governance and not efficiencies.

A Member disagreed that the views of the Committee were unanimous, and stated that incurring additional cost would undermine the attempts of the Council to meet its funding gap. Several members were of the view that, while acknowledging and sympathising with the administration in finding a solution within budget constraints, the role of GARMC Members was to support, promote and ensure good governance, and if they felt that the level of staff in key areas would impact negatively on this, then it was their duty to highlight and address the problem.

A Member expressed his frustration that the situation had continued for so many years as funding for the 2 posts had been promised and then withdrawn on 4 separate occasions. He agreed that financial considerations were a major obstacle, but believed that as GARMC Members, those present should support the request for full staffing, even though it would be understandable if they chose to vote differently on the wider issues in a different scenario.

The Portfolio Holder for Performance, Customer Services and Corporate Services agreed that, although the team was smaller than in other London boroughs, the wider budget implications were unavoidable and difficult decisions had to be made.

Members discussed the wording for their resolution, and were unable to agree unanimously on a formula. On the suggested, compromise wording of another member, the Chairman moved a motion which was seconded by Councillor Romain. The motion was agreed, and it was

RESOLVED: That

- (1) GARMC believes that the Internal Audit team should comprise a minimum of 7 staff but recognises that due to budget constraints it will only be possible to fund 6;
- (2) GARMC requests that if additional funding can be identified, recruitment for the remaining post should be considered a priority.

222. Termination of the Meeting

In accordance with the provisions of Committee Procedure Rule 14 (Part 4B of the Constitution) it was

RESOLVED: At 9.55 pm to continue until the end of the meeting.

(Note: The meeting, having commenced at 7.35 pm, closed at 10.55 pm).

(Signed) COUNCILLOR BILL PHILLIPS
Chairman