

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

## 29 NOVEMBER 2012

**Chairman:** \* Councillor Bill Phillips

**Councillors:** \* Tony Ferrari (1) \* Richard Romain  
\* Amir Moshenson \* Victoria Silver  
\* Varsha Parmar (4) \* Ben Wealthy (1)

**In attendance:** Graham Henson Minutes 205, 206 and 208  
**(Councillors)**

\* Denotes Member present  
(1) and (4) Denote category of Reserve Members

### 200. Attendance by Reserve Members

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

Ordinary Member

Councillor Sue Anderson  
Councillor Mano Dharmarajah  
Councillor Chris Mote

Reserve Member

Councillor Varsha Parmar  
Councillor Ben Wealthy  
Councillor Tony Ferrari

### 201. Declarations of Interest

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

## RESOLVED ITEMS

### 202. Minutes

**RESOLVED:** That the minutes of the meeting held on 24 September 2012 be taken as read and signed as a correct record.

### 203. Public Questions, Petitions and Deputations

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

### 204. References from Council and other Committees/Panels

**RESOLVED:** To note that none was received.

### 205. 2011/12 Annual Governance Statement Action Plan

The Panel received the report of the Assistant Chief Executive which set out an action plan to address gaps identified in the 2011-12 Annual Governance Statement. An officer stated that action planning was now more robust as a result of better engagement with those officers responsible for its implementation.

Members then explored four particular areas of assurance.

#### Security Incident Log

The Assistant Chief Executive explained that there was now a 'security incident log' where breaches of security for sensitive information were recorded. These tended to be as a result of staff mistakes, such as papers being mailed to incorrect recipients, rather than malicious, high-tech intervention. Management were loath to respond harshly to such instances, as they did not wish to deter reporting, and once a breach was identified there was an opportunity to recover the situation. The log was not currently monitored at Member level, but he saw no problem in reporting to the committee in future.

#### Information Management and Data Compliance

An officer stated that whilst the Council had long standing data protection procedures, they were not necessarily communicated to staff or reviewed. An Information Manager had been recruited who would now take responsibility for such issues. The Chair commented that it did not suggest that there was no data protection process, but that there was no assurance process to ensure quality and compliance. The Assistant Chief Executive added that there were assurance processes, but that they were inconsistent.

## Accounting Arrangements for West London Waste Authority

A Member sought clarification on progress with the separation of West London Waste Authority (WLWA) accounts from the Council's system, and the creation of a separate bank account, which had been identified as an audit risk some time ago.

The Corporate Director of Resources outlined the historical background to the situation and described the arrangement as 'Harrow effectively operating as an agency for WLWA'. The arrangement had been managed by a staff member in a robust manner, with clear year end separation of postings and figures, but when the tasks had been passed to another individual, confusion about the nature of the arrangement had caused concern on the part of the Council's auditors. Officers had investigated the scope for separate accounting arrangements but the set up of the 'SAP' system could not accommodate this, and it would be costly to re-configure the system. Furthermore, as WLWA was undergoing a procurement exercise, it was likely that transactions would reduce from many hundreds to an insignificant number. A project was underway to assess if it was possible to rectify the situation without incurring undue cost.

A Member queried the lack of handover between staff working on an important area of work. Another Member asked if the view of the District Auditor had been sought and asked to be present at the next meeting with the Council's auditors.

## IT Disaster Recovery

A Member expressed his dissatisfaction with the continuing failure to address a significant gap in respect of IT disaster recovery, which he put down to a lack of commitment, further illustrated by the non-attendance of the Director of Customer Services and Business Transformation at the meeting. He believed the committee could not fulfil its obligations in a meaningful way unless Members had an opportunity to discuss serious issues and influence outcomes.

The Chair welcomed the Portfolio Holder for Performance, Customer Services and Corporate Services to the meeting and invited him to comment.

The Portfolio Holder described the issues delaying the full migration of IT systems to a more stable environment. The Assistant Chief Executive added that the matter had been complicated by ongoing consideration of whether or not to retain the data centre in Harrow as a cost saving measure.

**RESOLVED:** That

- (1) the report be noted.
- (2) a report on IT Disaster Recovery be submitted to the next meeting of the Committee.

## 206. Internal Audit Mid-Year Report 2012/13

Members queried why Appendix 4 to the report, provided as a Part II item, needed to be confidential, as they considered that it showed the Council in a positive light, in that the Council was prepared to correct any overpayments. With the agreement of officers and the Committee, the Chairman directed that Appendix 4 of the report should be published as a public document.

The Panel received the report of the Assistant Chief Executive which outlined progress against the 2012-13 Internal Audit Plan, and key issues arising from work undertaken in respect of this. An officer confirmed that while 100% of the Internal Audit targets had been met, 2 of the 3 Corporate Audit Indicators had not. All enquiries had received a response, but not as quickly as the team had hoped, although they appreciated that this might be a demanding task for officers in the current economic climate.

Members considered whether Contract Management was an area of concern, and were advised that although, historically, practice and performance had varied across departments, more work was being done with procurement to ensure that a good value and quality contract was set at the outset, and that contract managers received advice and guidance on good practice prior to being audited. "Awareness sessions" were available for budget holders, and all requisitioners received mandatory training; processes had been tightened up and the new system enforced compliance. Repeated breaches of the procedures would incur disciplinary action.

In response to a query about the implementation of recommendations, an officer explained that outstanding items still assessed as red would be followed up, but any moving from red to amber would not be, as there were insufficient resources to pursue all identified risks.

A Member enquired about staffing levels, and asked if the situation had been remedied, given that he had stated his concerns a year ago and believed that the audit team was still the smallest across London. An officer said that recruitment had initially been approved but was now subject to the spending protocol. The team had explored the possibility of a shared service with other boroughs, but no opportunities existed at present.

The Corporate Director of Resources explained that as part of a wider review, in the continuing difficult economic climate, and with the possibility of a departmental restructure, managers were reviewing the Council's approach to risk and balancing this with available resources. While the audit function was highly valued, it was not the time to embark on a recruitment exercise.

A Member stated his strong disapproval of both the decision not to recruit, and the fact that the committee had had no knowledge of or involvement in the decision. He added that if the committee was to serve merely as a rubber stamping exercise, he would stand down. The Corporate Director of Resources stated there had been no intention to deceive Members, and she apologised if anyone believed they had been misled. She added that the remit of the Committee was to advise Council on governance and risk management issues, and while the Committee had no power to rule on

staffing matters, they could make recommendations. She added that as the Section 151 Officer for the Council, she too had to be satisfied that audit and governance functions were satisfactory. She would welcome better resourcing, but the unit had performed well for a number of years and was unlikely to be given priority for staffing when cuts were being made elsewhere. It was a matter of judgement whether resources were adequate, and in her opinion they were sufficient to fulfil statutory requirements as, although resources were tight, they were used effectively.

The Portfolio Holder for Performance, Customer Services and Corporate Services acknowledged that the team was small in comparison with other boroughs. Members considered what steps the Committee should take to address their dissatisfaction with staffing levels and highlight their concerns.

**RESOLVED:** That

- (1) the report be noted;
- (2) Appendix 4 of the report be published on the Council's website;
- (3) the concern that two vacant posts in Internal Audit, for which recruitment had been approved, had now been placed under review, be noted.

## **207. Health and Safety Half Year Report**

The Panel received the report of the Assistant Chief Executive and Corporate Director of Resources, which provided a summary of the Council's health and safety performance for the half year ending 30 September 2012, and information on outcome measures.

The Divisional Director of Risk, Audit and Fraud, explained that the service had experienced a challenging year and high staff turnover had delayed progress on the improvement plan. The team had reviewed policies and codes of practice, and the health and safety self-audit tool programme would be complete by December 2012. Of the planned 300 audits, 250 had begun, and site inspections and on-site training were continuing. The Occupational Health Service was due to be re-tendered, with a report going to Cabinet in December.

The Divisional Director of Risk, Audit and Fraud outlined the accident report statistics, for which there was no apparent or emerging trend. Members asked if statistics could include percentage figures, as it was difficult to draw conclusions from the current figures.

Members were informed about ongoing staffing issues, including difficulties with recruitment and plans to address the situation, and acknowledged the impact on the service in this interim period.

**RESOLVED:** That the report be noted.

## 208. Risk Audit and Fraud Activity Update

The Committee received the report of the Assistant Chief Executive and the Corporate Director of Resources which described the current work streams of the Risk, Audit and Fraud group of services. The Committee agreed to receive a tabled Part II document as an appendix to this item, which outlined proposals for savings within the Risk, Audit and Fraud Service.

The Divisional Director of Risk, Audit and Fraud Services updated the Committee on activity in Emergency and Business Planning Team, and the Insurance Service as follows:

- the work of the Emergency Business Planning Team had largely been taken up with the Olympics and Paralympics during this quarter, and all planned events and training exercises had concluded successfully. Following both Games, the team attended various debriefings to identify good practice and lessons learnt;
- Members were informed that a recent court decision around an issue relating to the failure of Municipal Mutual Insurance in 1990 had crystallised potential liabilities of £1.4m; the Council had identified funds to cover this although officers were of the view that the actuarial valuation was high;
- An officer reported on activity within the Corporate Fraud Team, including Housing and Benefit Fraud; Council Tax, Blue Badge, Direct Payment, Disabled Facility Grant, and Insurance Fraud; and Proceeds of Crime Cases;
- the Team had secured payments of fines of over £19K which was real income, and had generated savings/overpayments in excess of £400K and was on target to meet its objectives in respect of Housing, Benefit and Council Tax Fraud sanctions;
- no Blue Badge exercise had taken place in quarter 2, as all police resources had been diverted to Olympics and Paralympics duty;
- some good work was being undertaken in partnership with housing on tenancy fraud and misuse, with 9 council tenancies expected to be back in council control within the next few weeks which could be let to people currently in bed and breakfast.
- work undertaken on insurance fraud had been promising, with £4k being recovered from the first two cases, but the loss of a dedicated officer in this area was likely to impact on future results;
- work on recovering funds through the Proceeds of Crime Act was continuing, but involved a lengthy legal process, and the lack of a financial investigation officer meant that any funds recovered were reduced by the cost of procuring an investigation service;

- the officer updated the committee on plans for a Single Fraud Investigation Service (SFIS). There was little information as yet on how this would operate, but a pilot programme was running in Hillingdon, and officers expected to observe and learn from their experience;
- Changes to the law in relation to the Regulation of Investigatory Powers Act (RIPA) meant that activity had to be authorised by a Justice of the Peace from 01/11/12 onwards, and could now only be undertaken where the offence attracted a punishment of a term of imprisonment of 6 months. This change would require a policy and process change internally for the Council in respect of surveillance, deployment of human intelligence, and access to communications data which Legal Services were already working on. The Council was due to be inspected by the Office of Surveillance Commissioners on 04/12/12.

Members welcomed the successful work of the team and were concerned that vacancies would impact directly on performance, given the financial and reputational value of the work. They considered that a business case should be made to ensure vacancies were filled, as it appeared that the service paid for itself in terms of funds recovered. The Corporate Director of Resources commented that financial returns were not guaranteed by the investment in additional staff, but the Chair was of the view that public reassurance was also a material consideration in valuing the work of the service.

**RESOLVED:** That the report be noted.

## **209. Any Other Urgent Business - Training**

A Member raised the issue of training for Committee Members, and suggested that any training should be tailored to the needs of Harrow Council, and delivered in Harrow. He described the training provided for Pension Fund Investment Panel Members, which took the form of an hour's session before the scheduled meeting, and which was successful in that the date was established in Members' diaries and allowed an opportunity to focus on a single issue. The Chair commented on the poor response to previous training initiatives but agreed that training was necessary and invited suggestions for subjects to cover. A Member stated that a CIPFA self-analysis exercise had been both enjoyable and informative; officers confirmed that this was still available and could be offered.

**RESOLVED:** That officers devise a training programme, to consist of an hour's session prior to a full committee meeting.

## 210. Exclusion of the Press and Public

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
11.	Risk, Audit and Fraud Activity Update – Appendix C (tabled item)	Information under paragraph 1 (contains information relating to any individual).

## 211. Risk, Audit and Fraud Activity Update - Appendix C

The Committee received the confidential tabled document on the grounds of urgency.

## 212. Termination of Meeting

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

**RESOLVED:** At 9.59 pm to continue until 10.30 pm.

(Note: The meeting, having commenced at 7.30 pm, closed at 10.06 pm).

(Signed) COUNCILLOR BILL PHILLIPS  
Chairman