

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

## 28 JUNE 2011

**Chairman:** \* Councillor Sachin Shah

**Councillors:** \* Sue Anderson \* Ajay Maru (2)  
\* Tony Ferrari (1) \* Richard Romain  
\* Thaya Idaikkadar \* Yogesh Teli

\* Denotes Member present  
(1), (2) Denote category of Reserve Members

### 79. Attendance by Reserve Members

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

Ordinary Member

Councillor Mano Dharmarajah  
Councillor Barry Macleod-Cullinane

Reserve Member

Councillor Ajay Maru  
Councillor Tony Ferrari

### 80. Vote of Thanks

Members noted the recent death of Councillor John Cowan. All attendees at the meeting observed a minutes silence in his honour as former Chairman of the Governance, Audit and Risk Management Committee.

### 81. Declarations of Interest

**RESOLVED:** To note that the following interest was declared:

### Agenda Item 10 – Annual Health & Safety Report 2010/11

Councillor Sue Anderson declared a personal interest in that her husband was the Chair of Governors at Kingsley School. She would remain in the room whilst the matter was considered and voted upon.

#### **82. Appointment of Vice-Chairman**

**RESOLVED:** To appoint Councillor Thaya Idaikkadar as Vice-Chairman of the Governance, Audit and Risk Committee for the 2011/2012 Municipal Year.

A Member requested that his vote against the appointment of Councillor Idaikkadar be recorded. He considered that appointing a Cabinet Member as Vice-Chairman of the Committee was a breach of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

#### **83. Minutes**

**RESOLVED:** That the minutes of the meeting held on 29 March 2011, be taken as read and signed as a correct record.

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

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

### **RESOLVED ITEMS**

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

**RESOLVED:** That the reference from Cabinet be considered in conjunction with Agenda Item 12

#### **86. INFORMATION REPORT - Risk, Audit & Fraud Division Activity Update**

The Committee received a report that set out the progress made in January to March, quarter 4 of 2010/11 and future work planned in respect of the Risk, Audit and Fraud group of services. Members were advised that:

- the emergency planning team had participated in a number of events and activities both local and London-wide. Preparations for the Olympics as part of the PAN London team were also underway. The team had also worked with multi-agency partners to formalise an emergency response action plan and respond to a number of local incidents and their aftermath. A report on the response to the recent burst water main on Marsh Lane, Stanmore would be submitted to a future Committee meeting;
- the main activity during quarter 4 for the Business Risk Management officer was the assurance mapping project which was a comprehensive governance exercise that identified sources of assurance against the Council's strategic risk;

- following the conclusion of a LEAN review of the Insurance Service, work had commenced on restructuring the team and streamlining its processes in line with recommendations arising from the review;
- the Corporate Anti-Fraud Team (CAFT) had conducted a number of successful investigations and prosecutions relating to benefit and Corporate fraud. Officers would include case studies of successful prosecutions in all future reports to the Committee. The team had also secured funding to appoint a specialist Housing Investigations Officer on a temporary basis to assist in housing tenancy fraud and misuse. Officers reported that more detailed reports on the work completed in this area would be provided in the quarter 1 activity update.

In response to questions asked by Members, officers reported as follows:

- To assist the Committee in identifying the progress made by the Risk, Audit and Fraud division against targets for previous years, officers would include performance indicators in future reports;
- as a result of a successful prosecution, the Internal Audit team had reviewed stock control throughout all libraries within the borough. Following an investigation, the team had made recommendations to ensure that existing systems were more robust. An officer confirmed that the systems would be reviewed once all the recommendations from the review had been implemented;
- the employment of the temporary Housing Investigations Officer had been supported by grant funding provided in 2011/12. It was possible that future funding for this appointment would be made available if the requirement for this role was necessary;
- one member of staff was currently employed to finalise work relating to Business Risk Management which primarily supported the strategic risk register, updated the risk management strategy and monitored the Directorate Risk Register by consulting with Corporate Directors. An officer confirmed that the Business Risk Management team would be reporting to the Internal Audit team in the future;
- officers would prepare a report relating to the financial cost of insurance premiums for the next GARM Committee meeting on 6 September 2011.

The Chairman requested that where possible Members of the Committee may wish to attend court cases relating to work of the CAFT team.

**RESOLVED:** That the current workstreams of the Risk, Audit and Fraud group of services be noted.

## **87. INFORMATION REPORT - Annual Health and Safety Report 2010/11**

An officer presented a report that summarised the Council's health and safety performance for the year 1 April 2010 to 31 March 2011. The officer also provided an update of activities and outlined information on outcome

measures, including training and accidents. The Committee were advised that:

- three improvement notices relating to asbestos management were served on the Council in June 2010 by the Health & Safety Executive (HSE). These notices were all removed in November 2010 following the delivery of training to employees on asbestos removal;
- to reinforce safety management within the Council an improvement plan had been devised alongside a two year programme that worked towards achieving the requirements of the plan;
- the Council had launched a new Accident Reporting procedure on the Intranet. This allowed staff to submit accident forms electronically, which officers believed could be attributed to the small increase in the number of reported accidents. It was considered that this would enable officers to identify areas for improvement and trends within each Directorate.

Whilst considering the report, Members had a number of queries, to which officers reported that:

- Health and safety matters were considered by the Council's Corporate Strategy Board (CSB) on a regular basis. It was noted that three of the five staff members in the Corporate Health and Safety team were employed on an Interim basis. Members of CSB would discuss the structure of the team at a future meeting;
- the majority of reported accidents occurred in schools and were typically slips, trips and falls. Many of these incidents related to managing children in special needs schools. It was considered that the introduction of the new accident report form and database together with the support of the Corporate Health and Safety Advisory Service had led to an increase in the number of reported accidents. The Corporate Health and Safety team would monitor how accidents were reported, identify any emerging trends and respond accordingly. Members noted that major accidents, such as broken limbs and serious falls were reported directly to the Health and Safety Executive;
- issues relating to asbestos in the Council's housing stock had been reported to the Housing department and included in the Decent Homes Programme, scheduled for completion in 2015. Officers would seek confirmation on whether housing related issues were monitored by the Corporate Health and Safety team and advise Members accordingly;
- officers had noted that the existing framework agreement for Occupational Health Services had delivered savings of approximately £35,000 and improved areas within the service. The Council had experienced the benefits of other framework agreements within other areas within the Council.

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

## **88. INFORMATION REPORT - Outturn Report 2010/11 and Progress on Draft Accounts Preparation**

Members of the Committee received the Outturn report 2010/11 that had been considered at the Cabinet meeting on 22 June 2011. The Interim Director of Finance reported that:

- the Section 151 officer would complete and approve the accounts by 30 June 2011. According to the provisions in the Accounts and Audit Regulations 2011, the Committee were no longer required to approve the draft financial statements prior to them being audited by the external auditor. Members would be invited to attend a detailed briefing on the draft accounts prior to their formal presentation at the next Committee meeting on 6 September 2011;
- there was a net revenue underspend of £1.1 million, which represented a 0.7% variation in the budget. Almost two-thirds of the underspend had been used to increase general reserves to £7 million. The remaining underspend would be used to establish a Transformation and Priority Initiatives Fund that would meet redundancy costs and support savings initiatives. Any decisions made in relation to the fund would be approved by the Leader of the Council and the Chief Executive and reported to Cabinet as part of the quarterly budget monitoring report.

A verbal update on the progress of the Annual Governance statement was provided which advised Members that the draft statement would be ready by 30 June 2011. The management assurance exercise that supported the annual governance statement was underway and would be reported to the Committee in September.

**RESOLVED:** That:

- (1) the progress on preparing the annual accounts for approval by the s151 officer be noted; and
- (2) the verbal update on the progress of the management assurance exercise by Internal Audit be noted.

## **89. Treasury Management Outturn Report 2010/11**

The Committee received a reference and report from the Cabinet meeting on 22 June 2011 on the Treasury Management Outturn Report 2010/11. The report set out a summary of the Treasury Management activities during 2010/11 and was referred to the GARM Committee for review. Members noted the recent changes to the regulatory framework and best practice policies for Treasury Management activities.

**RESOLVED:** That

- (1) the reference be noted;

- (2) the progress of treasury management activities in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice on Treasury Management and Capital Financing on Local Authorities be noted.

## **90. INFORMATION REPORT - Capital Governance and Implementation Plan**

An officer presented a report that provided an update on Capital Governance and set out the progress against the Capital Implementation Plan following the investigation into the overspend in the Children's Services Capital Programme. Key staff within Finance, Children's Services and Community and Environment had worked collectively to implement the detailed and specific recommendations arising from the investigation. The officer advised that some key actions had been implemented and some would develop over time.

The key actions that had been implemented included:

- A clear and comprehensive approval process to manage capital schemes agreed as part of the 2011/12 Capital Programme;
- enhancing the role of the Capital Forum to ensure that greater financial controls were in place. The Interim Director of Finance had been appointed as the Chairman of the Forum. The Forum would consider the business case for all new schemes on the current Capital Programme. All schemes required approval from the relevant Corporate Director, Portfolio Holder and Finance Business Partner before submission to the Capital Forum. All approved business cases would then be presented to the Leader of the Council for final approval;
- the appointment of an Interim Capital Project Manager to oversee the capital monitoring process and implement the agreed capital recommendations within the Finance team;
- Finance Business Partners undertook testing on capital codes throughout the year to ensure that all expenditure was charged to the right project.

Key actions that would be developed to mitigate against long-term risk to the Council included:

- Monitoring monthly expenditure on all approved capital schemes to ensure that they were in line with the agreed budget and progressing in accordance with the project plan;
- developing a Capital Strategy for 2012/13 onwards that would provide an objective framework for decision-making in relation to the size and shape of the Council's capital programme. It was hoped that this would provide a robust framework for capital bids that would initially be considered in the third quarter of 2011/12. The final strategy and capital bids would be considered in the Medium Term Financial Strategy and approved by Cabinet and Council alongside the revenue budget;

- reviewing the Council's Financial Regulations to strengthen rules governing capital expenditure and the management and reporting of capital projects. Training would be provided to key staff within the Council;
- Developing a single mandatory process for project management across the Council that would require compliance and support for the capital programme and provide all project managers with compulsory training;

Members were reminded that:

- Cabinet had requested that the GARM Committee monitor and report on the implementation of the recommendations made in the investigation;
- 53% of the actions outlined in the implementation plan had been implemented, 40% were not yet due and 7% of actions were incomplete although implementation was imminent or had passed;
- the Internal Audit team had been instructed to verify the process and would continue to monitor and review the progress of implementation against the planned actions;
- a further update of this work would be presented with the mid-year Internal Audit report at a future GARM Committee meeting.

**RESOLVED:** That:

- (1) the update on capital governance be noted; and
- (2) the progress against the Capital Implementation Plan be noted.

## **91. INFORMATION REPORT - Internal Audit Year-End Report 2010/11**

The Committee received a report that set out the progress against the Internal Audit Plan 2010/11 and key issues arising from work undertaken. Members were advised that:

- The Internal Audit team had achieved 91% of the annual work plan for 2010/11 and all key service activities identified in the 2010/11 Internal Audit Delivery Plan had been achieved;
- the interim audit opinion was based on internal audit risk based work and an independent investigation carried out in 2010/11. The opinion considered the adequacy and effectiveness of organisational control environment for the 2010/11 financial year which was assessed as "adequate to good". The opinion would be updated once the core financial systems work had been completed and the management assurance exercise for 2010/11 was available;

- Audit reports were traffic lighted to indicate the level of assurance that could be obtained from a system under review. Green reports indicated that the system was well controlled and presented a low risk to the authority. Whereas, red reports required improvements to the control environment. As the internal audit plan was risk based and considered systems that had been identified as high risk, it was anticipated that a high number of audits would be given a red/amber assurance. Officers within the Internal Audit team worked with each respective team to ensure that robust measures were taken to strengthen the control environment;
- a further report on the performance of the Internal Audit team would be presented to the GARM Committee meeting on 1 December 2011.

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

## 92. 2011/12 Internal Audit Plan

An officer presented a report of the Assistant Chief Executive that set out the 2011/12 Internal Audit Plan, Internal Audit Delivery Plan and the Internal Audit Strategy. Members were reminded that:

- the draft Internal Audit Plan had been considered at the GARM Committee meeting on 29 March 2011;
- the draft plan had been refined to include reviews of key risk that could be achieved within the Internal Audit team's resources. The final plan was flexible to enable emerging risks to be addressed.

**RESOLVED:** That

- (1) the 2011/12 Internal Audit Plan be approved;
- (2) the Internal Audit Delivery Plan and Strategy be noted.

## 93. Appointment of Member

Item withdrawn from the agenda.

## 94. Exclusion of the Press and Public

**RESOLVED:** That the press and public be excluded from the meeting for the following items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
18.	INFORMATION REPORT – Internal Audit Year-End Report 2010/11 (Appendix B)	Information under paragraph 1 (contains information relating to any individual).  Information under paragraph 7 (contains information relating to any action taken or to be taken in



- connection with the prevention, investigation or prosecution of crime).
19. INFORMATION REPORT – Information under paragraph 3 Green and Amber Audit Reports (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

## **AGENDA - PART II**

### **95. INFORMATION REPORT - Internal Audit Year-End Report 2010/11**

The Committee considered Appendix B to the Internal Audit Year-End Report. Members were advised that the financial irregularities related to internal and external matters.

**RESOLVED:** That Appendix B to Agenda Item 14 be noted.

### **96. INFORMATION REPORT - Green and Amber Internal Audit Reports & Follow Up Reports**

The Committee considered a report that included an update on the actions taken by the Internal Audit team to address areas of key risk within the Council. Members were reminded that “red reports” sent to them directly outside of Committees were confidential.

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

(Note: The meeting, having commenced at 7.29 pm, closed at 9.48 pm).

(Signed) COUNCILLOR SACHIN SHAH  
Chairman