

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

6 SEPTEMBER 2011

Chairman: * Councillor Sachin Shah

Councillors: * Mano Dharmarajah * Richard Romain
* Thaya Idaikkadar * Krishna Suresh (3)
Chris Mote * Yogesh Teli

* Denotes Member present
(3) Denote category of Reserve Member

97. Appointment of Member

RESOLVED: That the appointment of Councillor Chris Mote as a Member of the Governance, Audit and Risk Management Committee in place of Councillor Macleod-Cullinane.

98. 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 Krishna Suresh

99. Declarations of Interest

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

100. Minutes

RESOLVED: That the minutes of the meeting held on 28 June 2011, be taken as read and signed as a correct record.

101. Public Questions, Petitions and Deputations

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

102. References from Council and other Committees/Panels

None received.

RESOLVED ITEMS

103. Draft Final Accounts

The Interim Director of Finance provided an oral update on the draft accounts. She reported that:

- the statement of accounts had been produced in accordance with International Financial Reporting Standards (IFRS) for the first time. Due to the hard work of officers within the finance team, the transition had gone smoothly;
- Members were no longer required to sign off the draft accounts before they were considered by the Auditors as in recent years;
- copies of the draft accounts were circulated at a briefing, prior to the meeting, with representatives from the external Auditors, Deloitte LLP to which Members of the Committee had been invited to attend;
- the audit was almost complete and it was anticipated that a “clean” (unqualified) audit opinion and Value for Money (VFM) opinion would be issued;
- the final draft of the accounts would be circulated as part of the agenda for the GARM Committee meeting on 21 September 2011. Due to their volume, Members were invited to contact the finance team or meet with officers before the next meeting if they wanted clarification on information presented in the final draft or had any detailed questions they wanted to raise.

Following a discussion, it was agreed that officers would arrange a meeting for the Chair and Nominated Member of the Committee with the Finance Business Partner (Financial Accounting) after the accounts were published and before the GARM Committee meeting on 21 September 2011. Other Members would be invited to attend.

RESOLVED: That the oral update be noted.

104. Progress on Audit of Accounts

An oral update on the progress of the audit of the accounts was provided by the Interim Director of Finance. She reported that:

- the auditors were making good progress on the audit and were almost complete. Apart from some minor control points, the auditors had not identified any significant areas of concern;
- the Auditors were satisfied that some audit risk areas previously identified had been resolved. The Auditors considered that the Council had been over prudent with some bad debt provisions, although they recognised that this was an area of judgement. The Interim Director of Finance did not intend to adjust the accounts for this;
- Following the application of the IFRS, changes in the way leases and grants had been reported and disclosed required minor corrections;

In response to questions, she reported that:

The external auditors considered historical financial information and this was particularly applicable to bad and doubtful debts. Issues relating to the current economic climate supported a prudent approach to the recovery of debts owed to the Council. She added that it would be advantageous to revise the existing bad and doubtful debts provisioning policy as there was a likelihood that this could rise in future years

RESOLVED: That the oral update be noted.

105. INFORMATION REPORT - Whistleblowing Report

The Committee received a report that set out information on how the Council dealt with Whistle-blowing complaints over the last year in accordance with the requirements of the Public Interest Disclosure Act 1998 (the Act). An officer reported that the policy was drafted in accordance with the Act which gave legal protection to workers against dismissal or penalisation by their employers as a result of them expressing concerns about malpractice or wrongdoing. In response to questions raised, officers advised that:

- the policy was wider than the legal requirement to protect the “whistle-blower” and gave employees the freedom to raise matters of serious concern and report things that shouldn’t happen without fear of reprisal;
- the Council was obliged by the policy to take action when a matter in relation to the policy was raised. The policy protected an employee from harassment or any reprisals resulting from an allegation. All employees were expected to adhere to the Code of Conduct. Any counter accusation following a whistle-blowing complaint would be addressed by the appropriate Human Resources (HR) policy;

- there were a number of ways in which an employee could make a complaint. This included reporting a concern to their line Manager, if appropriate. In other instances, a report could be made to any Senior Manager or directly to the Monitoring Officer who had overall responsibility for maintaining and operating the whistle-blowing policy;
- following receipt of a complaint, the matter was independently investigated by a Senior Manager within the Council in accordance with the timescales.

Members were reminded of the unsubstantiated complaints received under the whistle-blowing policy in the last ten months.

RESOLVED: That the report be noted.

106. Annual Governance Statement 2010/11

An officer presented a report that set out the Council's Annual Governance Statement (AGS) for 2010/11 which was reviewed annually to ensure that it met the requirements of the Accounts and Audit Regulations 2011 of good governance within the local governance framework. She reported that:

- the review was completed by two officer groups. The Corporate Governance Working Group co-ordinated the annual review and compiled an evidence/sources of assurance table which was used as a basis for the preparation of the AGS. This was reviewed and ratified by the Corporate Governance Group (CGG), who were ultimately responsible for drafting the AGS, reviewing assurances and supporting evidence supplied by officers. The AGS was considered by the GARM Committee before it was signed off by the Leader of the Council and the Chief Executive along with the annual accounts;
- the year end update on the 2009/10 AGS Action plan reported that gaps in the plan had been fully or partially closed. Some outstanding actions had been carried forward to the draft 2010/11 AGS Action Plan. The CGG had not identified any significant gaps in the governance framework for 2010/11. However, it was anticipated that the governance framework and assurances would be challenged by financial constraints and proposed changes in the public sector. The main objective was to maintain high standards of governance across the Council at all times;
- the Code of Corporate Governance had been agreed by the Committee in September 2008 and was reviewed on an annual basis. The CGG had completed the review of the Code in August 2011 and some minor amendments had been made. The Committee were invited to approve these changes before inclusion on the Annual Governance Statement (AGS);
- the interim opinion assessment of the control environment by Internal Audit which was reported to the Committee in June 2011 as "adequate"

to “good” (part of the 2010/11 Internal Audit Year End report) remained unchanged.

In response to questions raised by the Committee, officers reported that in the current economic climate, the Council would be required to identify savings that maintained existing priorities and good standards of governance. They added that, all services would continue to adhere to robust internal controls that promoted high standards of governance throughout the organisation. The Corporate Governance Working Group and the Corporate Governance Group would continue to manage the governance process. Officers would also update and present issues relating to the governance framework to the GARM Committee for consideration.

The Committee requested that paragraph 2.7 of the report be reworded by officers and included in the minutes. The suggested rewording was as follows:

“It is recognised that the Council is going into a much higher risk environment due to financial constraints and proposed changes in the public sector and that the maintenance of good governance and sound assurance processes will be crucial to ensure the achievement of the Council’s vision and priorities.”

RESOLVED: That

- 1) the 2010/11 AGS, the 2010/11 AGS Action Plan and the 2010/11 AGS Evidence Table (Appendix 1, 2 and 3) be noted;
- 2) bullet point 3 of the AGS relating to the Audit Committee (GARM Committee) in paragraph 1.14.2 of Appendix 1 be amended to read:

Will use reasonable endeavours to review and approve the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;

- 3) the progress made on the 2009/10 AGS Action Plan be noted;
- 4) the minor amendments recommended by the Corporate Governance Group to the Code of Governance be approved;
- 5) the final Internal Audit opinion on the overall control environment be noted.

107. Management Assurance Report 2010/11

The Committee received a report that set out the results of the 2010/11 Management Assurance Exercise. The report outlined the management assurance process involved in obtaining self-assessed assurance statements and supporting documentary evidence from each Directorate across the Council. An officer advised that the exercise was managed by the Corporate Governance Group who agreed to use alternative methods to obtain assurance for some areas originally covered by the Management Assurance

Exercise. She added that the process for completing the management assurance exercise for 2010/11 confirmed that 77% of areas of assurance across the Council were working well.

Appendix 1 of the Management Assurance Exercise report provided more detail in relation to the process completed for 2010/11. The Committee noted that documents prepared by individual Directorates as part of the assurance exercise was agreed by each Corporate Director and included in the Chief Executive's Corporate Assurance Exercise.

In response to questions raised by the Committee, officers reported that:

- the Management Assurance process was developed across the Council in 2005/06. In the first three years of the process, Internal Audit requested and reviewed evidence for every area of assurance across the Council. Internal Audit now reviewed selected evidence to support the assurance statements prepared by each Directorate before they were signed off by the relevant Corporate Director;
- the management assurance process and the level of compliance achieved relied upon the accuracy of self-assessment and the quality of reporting. The Corporate Governance Group encouraged Managers to attend training, as well as to develop and improve systems and policies that supported the assurance process.
- service areas within Directorates that had prepared statements with levels of non-compliance were given the opportunity to comply. Officers acknowledged that in some circumstances, particular systems did not effectively facilitate the compliance process. To address this, officers would be encouraged to introduce processes that supported self assessment and ensured compliance was achieved without losing sight of the delivery of core services.

RESOLVED: That

- (1) the independent review of the results of the 2010/11 Management Assurance Exercise be completed;
- (2) the suitability of the 2010/11 Management Assurance Exercise for use as supporting evidence for the Annual Governance Statement be approved.

108. INFORMATION REPORT - Risk, Audit & Fraud Activity Update Report

The Committee received a report that outlined the current work streams in quarter 1 in 2011/12, April to June 2011, and the future work planned in respect of the Risk Audit and Fraud group of services.

Members noted that reports that set out the activity of Internal Audit and Emergency Planning had been included separately on the agenda. A report

on activity within the Insurance Team would be presented to the GARM Committee meeting on 21 September 2011.

RESOLVED: That the progress across the division be noted.

109. Risk Management Update and Draft Risk Management Strategy

An officer presented a report that set out the Council's risk management position and the Council's Draft Risk Management Strategy. The Committee were invited to comment on and endorse the draft risk management strategy. The officer reported that:

- following a review, existing processes in the strategy were updated to ensure that they were streamlined to become more efficient in meeting users' needs;
- new processes were introduced to ensure that risk-management was part of the project management and decision-making process. Officers would use the risk reporting template to assess every risk and allocate a current rating. Following this assessment the risk would be given a desired rating and timescales for achieving this. Each reported risk was challenged at quarterly Service Improvement Board Meetings and any concerns relating to the treatment and management of risk was reported to Cabinet;
- the revised strategy included the Council's priorities for 2011/12 and consolidated the Council's Strategic and Corporate Operational Risk Registers into a single Corporate Risk Register to ensure that all strategic risks were captured.
- the revised template for risk reporting was attached to the report.

RESOLVED: That

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

110. INFORMATION REPORT - Civil Contingencies Team (Emergency Planning & Business Continuity) Activity Update Report

The Committee received a report that set out the recent activity of the Civil Contingencies Team, which included Emergency Planning, Business Continuity and Civil Protection, as defined by the Civil Contingencies Act 2004.

An officer reported that:

- the Civil Contingencies, also known as the Emergency Planning Team was one of six distinct teams within the Risk, Audit and Fraud Division of the Council;

- business continuity was new to the Council and was one of the seven duties outlined in the Civil Contingencies Act 2004. The Council's approach to Business Continuity began in 2006 and was based on the British Standard BS25999. All departments identified essential services that were critical to the day-to-day running of the Council. To ensure viability, these continuity plans were tested and reviewed on a regular basis within each Directorate. A Council-wide exercise was completed regularly to ensure that the individual plans worked collectively as part of the Corporate Business Continuity Plan. The Corporate Plan also made provisions for the deployment of key staff to a remote location, in the event of a major incident. The final draft of the plan was tested and reviewed annually to identify and address any incidental risks. The most recent being in February 2011 in an exercise with the Corporate Strategy Board;
- recent activity within the Emergency Planning Team included an external exercise between the Council and multi-agency partners. The team also took part in regional exercises with neighbouring local authorities and other London Boroughs. The team would continue to deliver annual training to elected Members to update them on their role following a major incident within the borough. The next event was scheduled to take place on Thursday 8 December 2011;
- the Civil Protection Team had an opportunity to ensure that existing evacuation procedures were effective following a bomb threat to the Civic Centre on Tuesday 19 July 2011. The team were also assisting the Metropolitan Police during the riots in London that started on 6 August 2011. It also provided an ideal opportunity to review effectiveness of the strategy and operational tactical deployment if required.

In response to questions raised by Members, officers confirmed that:

- an Information Technology (IT) recovery plan had been created following approval of the new Capita IT contract;
- the various procedures in relation to Business Continuity, Emergency Planning and Civil Protection were in place. There was a degree of flexibility in relation to the operation of these plans depending on the type and level of incident;
- results in relation to the above teams were benchmarked and assessed to ensure that the Resilience Framework outlined by the UK Resilience branch of Central Government was met. Other assessments included, a peer review and consideration of the plans as part of the West London Sub resilience framework which was assessed by the London Fire Brigade.

RESOLVED: That the report be noted.

111. Any Other Urgent Business

Lead Members Report

An officer reminded the Committee that he had written to Members and Reserves in July 2011 inviting them to consider volunteering for a role as a Lead Member to work alongside officers on the various specialist functions that were monitored by the Group. He added that the final list of nominations received would be presented to a future GARM Committee meeting for agreement.

The item was considered to be urgent to ensure to the appointment of Lead Member could be made as soon as possible.

RESOLVED: That the update be noted.

112. Exclusion of the Press and Public

RESOLVED: In accordance with Part I of Schedule 12A to the Local Government Act 1972, that 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>
19.	Appendices 2-4 of the INFORMATION REPORT – Civil Contingencies Team (Emergency Planning & Business Continuity) Activity Update Report	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

113. INFORMATION REPORT - Civil Contingencies Team (Emergency Planning & Business Continuity) Activity Update Report

RESOLVED: That Appendices 2-4 be noted.

(Note: The meeting, having commenced at 7.35 pm, closed at 10.10 pm).

(Signed) COUNCILLOR SACHIN SHAH
Chairman