THE PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 13 March 2013
(6:00 - 7:00 pm)

Present: Councillor A S Jamu (Chair), Councillor S Alasia, Councillor G Letchford and Councillor M Mullane

Independent Advisor – Dr I Fifield

68. Declaration of Members' Interests

There were no declarations of interest.

69. Minutes - To confirm as correct the minutes of the meeting held on 30 January 2013

The minutes of the meeting held on 30 January 2013 were confirmed as correct.

70. Debt Management Performance and Write-Offs 2012/13 (Quarter 2)

The Operations General Manager Elevate East London (OGMEEL) introduced the report.

The report covered debt management for the second quarter of the current financial year 2012/13. It included information regarding collection performance in respect of NNDR, rents and general income, leasehold service charges, Penalty Charge Notices and Fairer Contribution charging, as well as explanations as to why in some areas collection rates are slightly lower than target performance.

Alongside collection rates were details of service improvements, bailiff performance, and write-offs which in accordance with the write off policy approved by the Cabinet totalled £2.4m in 2011/12. The Divisional Director of Finance will provide members with a breakdown of the write off totals in the context of the Council’s overall budgets.

Councillor Mullane referred to the growing number of tenants making contact about the build up of large rent arrears, their ability to pay and the processes available to recover the debt. She made reference to a form that tenants can obtain from the courts that fixes a reasonable amount to pay within the means for someone in arrears that would avoid the need to resort to final court action, the detail about which she will provide to Elevate to review.

Through Elevate the Council will, to the best of its ability, balance being tough with its debtors but supportive to vulnerable people who cannot pay and in that respect Elevate work very closely with social services in arrears cases involving young children. The OGMEEL stated that going to court and obtaining a suspended possession order helps the Council secure the debt owed as well as sending out a strong message to tenants that they could lose their home.
PAASC enquired as to the possibility of members being represented on the Rent Default Panel seeing their local knowledge as to individual tenant circumstances. This will be investigated and a report made back to both PAASC and LAWSSC members.

The Lead Member enquired as to the reasons for the large level of uncollected monies in respect of residential care. The Divisional Director of Finance (DDoF) explained that the total outstanding amount is made up of a mixture of types of debt, and to whom, a proportion of which will be charges against family property. The officers will provide a breakdown of the debt and report back to Members.

The Lead Member asked if there is any benchmarking data on bailiff performance to assess the reasonableness of the performance information set out in the report. The OMGELL responded such data is not readily available especially as in many cases monies are secured before going to bailiffs by way of an attachment to earnings. That said the performance of the two firms of bailiffs used by the Council is compared to each other.

71. **Information Governance Update**

This item was introduced by the ICT and Information Governance Officer (ICT&IGO). He explained that the report had been deferred from the meeting in January 2013 and consequently some of the information was a little bit out of date.

The report provided an overview of the work completed by the Information Governance Board over the past 12 months including information management and security, statistics on FOI and Data Protection requests and data quality. Corporate Complaints and members’ casework are no longer covered, a separate report on which having been presented to PAASC in September 2012.

The Information Commissioner’s Office (ICO) continues to use its powers to fine organisations responsible for loss of personal data. B&D were subject to three complaints to the ICO by members of the public and self reported one security breach to the ICO in the past year. Although these incidents did not result in fines they did provide lessons taking things forward.

The focus of the work over the last year has been around Information Governance which was identified as a corporate risk and for which an action plan was put in place to mitigate the risks. Significant work has taken place to build an electronic corporate library, the aim being to ensure that as many documents and policies generated across the Council are properly structured and accessible to those staff that need them.

The library forms part of the Council’s Internet and will help the Council to respond more effectively to future FOI requests, the numbers of which over the past three years have steadily increased. In that respect the report provided response performance data as well as a statistical breakdown analysing those individuals making multiple requests.
In answer to a question about the cost of administering the FOI regime the IT&IGO explained that legislation does not allow for local authorities to charge for responses to FOI’s although we are at liberty to refuse to provide an answer if it can be demonstrated that the time it will take to gather the information will cost more than £450 in officer time based on a national prescribed hourly rate. From the Council’s perspective the best way to challenge /deal with FOI requests is to ensure as much information is made public through the Internet.

On data protection requests the law only allows for charges of £10 per request so all efforts are being directed to make the process of responding more efficient and thereby cost effective especially seeing that two complaints were made to the ICO in 2012.

It was noted that work has been ongoing in the organisation to raise awareness of good governance practices with in particular an online mandatory all staff training course entitled “Managing Information” now available on the Council’s new i-Learn system. In addition to regular email alerts so as to ensure good take up of the course staff attendance is being linked to the annual appraisal process as well as exploring best use of technology through such techniques as screen pop up messages etc.

Although the importance of data quality is recognised by the IGB and a number of recommendations for improving it were made in an internal audit report in 2011, the work in 2012 has focused on the highest risk areas highlighted in the report and particular those which have led to complaints to the ICO. Consequently no work has taken place so far to implement the recommendations in this area, although the intention is to do so in the coming year as and when resources become available.

72. Elevate East London Terms of Reference

The Committee agreed the terms of reference for the Elevate East London Scrutiny review as set out in a report from the Divisional Director of Finance.

73. Audit Arrangements for 2012/13

The Committee noted the audit arrangements put in place for 2012/13 and for completeness that KPMG are now the Council’s external auditors, for which Phillip Johnson will be the Engagement Lead. The agreed fees as detailed in the report incorporate the reductions that the Audit Commission were able to implement following market testing of audit services, and are based on a number of assumptions set out as an appendix to KPMG’s letter.

74. External Audit Plan 2012/13

Received a report from Martin Searle, Senior Manager at KPMG, external auditors setting out the audit and inspection work proposed for 2012/13. Although the Council now has a change of audit provider essentially it does not mean the regime of how the Council is audited will change.
The plan describes how KPMG will deliver financial statements of audit work as well as their approach to value for money work during the year. It was noted that the scope of the Plan does not include the Council’s Pension Fund.

KPMG are required to satisfy themselves that the Council’s accounts comply with statutory requirements and that proper practices have been observed in compiling them. They will be using a risk based approach. In that respect KPMG have identified two key risks that they will focus on during the audit of the 2012/13 financial statements seen as Property, Plant and Equipment and Financial Resilience.

The first is a complex area due to the impact of capital financing and related accounting transactions involving very large sums. It is an area of risk common to most local authorities and although significant KPMG are not suggesting the Council will not deliver against its requirements which they will report back on in September 2013.

The other area is something that all local authorities should be doing in times of dwindling resources. They will assess the controls the Council has in place to maintain a sound financial standing and review future financial plans and the delivery of savings plans. The Lead Member enquired that as the Council reduces its staff resources was there a danger that KPMG would not get timely information/responses to audit enquiries? KPMG responded that they had received assurances from senior management that the key staff remain in place as do tried and tested systems to the extent that it should not be a problem. The Divisional Director of Finance added that with codes of practices, staff and systems remaining the same the only change will be adapting to KMPG’s approach to audit as opposed to the Audit Commission.

Based on the quality of reports and systems in place, the evidence of existing procedures and processes in place including external reports such as Ofstead, KPMG are not intending to “risk search”. On that basis they are not expecting to have to do extra audit work over and above that planned.

KPMG summarised their VFM audit approach which based on current information provided by the Council reinforces the view that the annual audit fee will not increase beyond that set out in section 6 of the Plan. The Committee noted the schedule of outputs and the cycle of reporting which is unchanged from the previous year.

In conclusion KPMG emphasised their commitment to providing an independent and objective audit service to the Council and upholding the prescribed ethical standards.

The Committee noted the report.

75. **Internal Audit Terms of Reference, Strategy, and Audit Plan 2013/14**

The Group Manager Internal Audit and Corporate Fraud (GM IA&CF) introduced the report.
Internal Audit (IA) supports PAASC in its Audit Committee role in providing independent assurance on and to oversee and improve the council’s governance, risk management and internal control systems. The team consists of three staff supported with additional auditors provided as necessary through LB Croydon under a framework agreement also used by a number of other local authorities.

It is very important that the Committee has an oversight of the way IA goes about its business and to that end the report detailed IA’s Terms of Reference which confirms the independent status of the audit function and the governance arrangements in place that ensure the service is delivered to a high standard and the proposed audit strategy; a high-level statement of how the internal audit service will be delivered and how it links to the organizational objectives and priorities. The report went on to outline a summary of the proposed Internal Audit Plan setting out the proposed audit activities to be undertaken in line with the Audit Strategy. This relates to the work of IA and does not include Corporate Anti-Fraud Team, Housing Investigation Team or Housing Benefit Fraud Team resources for which members’ receive updates on throughout the year.

The Plan is designed to give a breath of coverage to enable the GM IA&CF to give the statutory opinion on the effectiveness of the Council’s system of internal control, which contributes to the review of the effectiveness of governance as set out in the Annual Governance Statement. In addition it seeks to achieve a balance by incorporating areas of concern for senior management and wherever possible add value to the Council. Where relevant, plan topics are linked to the Council’s Corporate Risk Register and is therefore a risk based audit plan. The GM IA&CF stressed that the management of risk is primarily managers’ responsibility and consequently risk based planning does not mean auditing the highest areas of risk.

The Plan included a brief outline of each review. Details as to the timing and detailed scope of each review will be agreed with the appropriate senior officer when the Plan year commences.

Looking at the details members asked as an example what fifteen days on one of the managed audits of core financial systems means. The GM IA&CF explained that the timescales relate to the review of systems and testing controls for compliance. If this were then to reveal any problems a management report would be issued with suggested recommendations for improvement. In turn a summary report tracking progress against each recommendation would be presented to PASSC for monitoring. Ultimately, serious control failings would be taken up immediately with management and if deemed significant enough escalated to the DD of F and the Members.

The Committee agreed the Internal Audit Plan for 2013/14 as presented.

76. **Draft Work Programme and Date of Next Meeting**

Noted the current work programme including the addition of an item seeking an update on the Oracle 12 project for the next meeting scheduled for 1 May 2013.