MINUTES OF PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Monday, 7 September 2015
(6:00 - 7:55 pm)

Present: Cllr Dave Miles (Chair), Cllr Amardeep Singh Jamu (Deputy Chair), Cllr Jeanne Alexander, Cllr Rocky Gill, Cllr Eileen Keller, Cllr Tony Ramsay, Cllr Phil Waker and Cllr John White

Apologies: Dr Ian Fifield (Independent Adviser)

69. Declaration of Members' Interests

There were no declarations of interest.

70. Minutes - To confirm as correct the minutes of the meeting held on 24 June 2015

The minutes of the meeting held on 24 June 2015 were confirmed and signed as a correct record.

71. Civic Centre petition- Request for funding

The Group Manager, Democratic Services introduced the report to the Select Committee.

Following the Select Committee’s initial consideration of a petition opposing the decision of the Cabinet to close the Civic Centre and seek to convert it into a secondary school, the report outlined the requested opinion of the Monitoring Officer in relation to its request to the Cabinet for the allocation of funding to meet the cost of an independent evaluation analysis of the costs involved in each option.

The Monitoring Officer’s opinion was that the Constitution made it clear that funding and expenditure was a Cabinet function as set out in Part 2 Chapter 6 paragraph 2.1(i) and that there was no supplementary provision that permitted the Assembly to make an allocation of resources (Part 2 Chapter 4).

The Select Committee considered the Monitoring Officer’s opinion but decided to seek further independent legal advice, as they considered that the request for funding should be referred to the Assembly.

The Select Committee then referred to the report to Cabinet in December 2014 and felt that it had not included all financial costings and options available when it recommended closure of the Civic Centre and conversion to a secondary school. The Group Manager, Projects and Funding advised the Select Committee that the Cabinet report had included all financial information and options.

DECISION

The Select Committee agreed the following:

To meet informally and before the next meeting on 21 October in order to discuss
and agree a considered view on the following:

(a) To review in the light of any subsequent legal advice, the original decision to refer to Cabinet the request for funding for the allocation of funding to meet the cost of an independent evaluation analysis. In the light of this:

(b) The Select Committee to consider undertaking its own analysis of the various options that led to the decision to close the Civic Centre and convert it to a secondary school.

(c) To advise Officers of the result of its informal discussions prior the matter being re-presented at the next meeting of the Select Committee on 21 October 2015, to which an invitation will be extended to the Portfolio Holder for Education and Schools to consider a report from the Corporate Director of Children's Services setting out the educational justification for converting the Civic Centre to a Secondary School.

72. Approval of the Statement of Accounts 2014/15

The Council's draft accounts as presented to the last meeting of PAASC were approved by the Chief Finance Officer in June 2015 and had been subjected to detailed audit by the Council’s external auditors (KPMG), who proposed to issue an unqualified audit opinion for the Statement of Accounts, including the Pension Fund.

The Chief Finance Officer presented a report to the Select Committee and advised that this should be taken in conjunction with agenda item 6, (the ISA 260 External Audit report 2015/16), which highlighted the issues raised by KPMG and were subsequently being addressed by officers. He assured the Select Committee that the issues raised by KPMG had no impact on the Council's financial position or the Statement of Accounts.

In accordance with the Accounts and Audit Regulations 2011, the accounts were presented to the Committee for their consideration and review prior to publication by 30 September 2015.

DECISION:

The Select Committee:

(i) Reviewed and approved the Statement of Accounts for the year ended 31 March 2015;

(ii) Confirmed that the Statement of Accounts for the year ended 31 March 2015 should be published by 30 September 2015 and authorised the Chief Finance Officer in liaison with the Lead Member to make any changes to the accounts that may be agreed with KPMG. This complied with the Council's statutory obligations.
73. ISA 260 external audit report 2014/15

The Council's external auditors (KPMG) presented their report for 2014/15. They were represented by Phil Johnstone and Susan Codling, the latter presented the report.

The report highlighted the key findings from the audit work at the Council in relation to the Council's 2014/15 financial statements and the Pension Fund. It also summarised the work to support external audits 2014/15 conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

KPMG confirmed an unqualified opinion would be issued on the Council’s financial statements by 30 September 2015. There were some outstanding issues them, however these were being addressed by officers, although they did not prevent an unqualified opinion on the statement of accounts.

The Chief Finance Officer advised that owing to a reduction in staffing within Corporate Finance and the implementation of a new financial accounting system (Oracle R12) being introduced during the year, that there had some impact in the quality of the statement of accounts. However, going forward he acknowledged that there would be an improvement in quality.

The Select Committee raised queries in relation to some areas in the statement of accounts including the Housing Revenue Account (HRA) and querying the charges and adjustments in relation to Garages. In respect of the latter, the Chief Finance Officer would check this out and clarify this for them.

It was advised that the Council had encountered difficulties in completing the bank reconciliation control on a timely basis. The Chief Finance Officer stated that officers were now looking at different ways of evidencing reconciliations and he did not expect this to be an issue going forward in future.

KPMG confirmed that a final report to the Select Committee would include any additional adjustments to Reside Asset at a later stage. This would be added to the accounts.

The Select Committee noted the report.

74. Composite Internal Audit and Counter Fraud report 2015/16- Quarter 1

The Group Manager, Internal Audit and Counter Fraud introduced the report. This was the regular quarterly report on work and outcomes of the Internal Audit & Counter Fraud Group.

It was noted that the opinion on the internal control environment was unchanged based on work since the last report to the Select Committee.

The report contained a link to a document on detected fraud in London and it was recommended to Members as worth a read, at least of the summary section, which showed that London as a whole was responding positively to fraud prevention but also highlighted the opportunity that robust counter fraud measures presented.
Members were provided with greater detail on Housing and financial Investigations in the report, which reflected the focus of the Group’s work moving towards deterrence.

The Group Manager, Internal Audit and Counter-Fraud advised the Select Committee that a mini-structure had successfully been completed, incorporating the Housing and Corporate Anti-Fraud Teams to create a single counter fraud resource.

The Select Committee considered that investigatory work of the Group was being reduced, however the Group Manager, Internal Audit and Counter-Fraud assured Members that no resources had been lost but were being shifted from reactive to preventative and proactive work– being the most effective use of resources in line with national best practice, and went on to highlight examples of successful proactive work that had been undertaken.

The Select Committee noted the report and requested details of the Group’s mini-structure to be included in the Composite Internal Audit and Counter-Fraud report 2015/16 Quarter 2, to its meeting on 1 December 2015.

75. The Council Commercial Portfolio 2015

In reviewing the work programme at PAASC on 24 June 2015, Members asked for a report to be presented detailing information about the Council’s Commercial Property Portfolio following its return to the Council from Elevate in April 2015.

The Group Manager, Projects and Funding introduced the report which advised that the Council’s Commercial Portfolio currently comprised 428 property assets which were a mix of short and long leasehold arrangements, with a gross rent of £1.95 m for shops and overall including commercial and community assets a gross rent and value of £4.17m.

The Chair invited a retail shop owner, Mr Goodwin, to attend for this item, in relation to the problems that he had been experiencing regarding the letting of a shop premises. It was advised that this matter would need to be investigated outside of this meeting with the relevant Council officers as issues involving individual cases were not appropriate to be raised or discussed at this Committee.

Commercial units were previously accounted for within the Housing Revenue Account (HRA), initially provided under housing powers to provide amenity to council housing in the area. As a consequence of changes in ownership of the surrounding Council housing, largely due to right to buy, the shops no longer provided benefit solely or predominantly to Council tenants.

Government policy was that the HRA remained a ring-fenced account and should primarily be a landlord account arising from a housing authority’s landlord functions rather than as a commercial landlord. All associated income and running costs of these properties were now part of the General Fund. The Select Committee expressed their concern that the income and running costs of housing assets had been transferred into the general fund and considered it would lead to lack of investment in housing, of which a number of properties were in poor condition.
The Chief Finance Officer in response to the Committee’s concerns advised that the HRA funds were transferred into the General Fund following legal advice to that effect and confirmed that would be a proactive review of the property portfolio in order to generate more income for the Council.

The Select Committee noted and welcomed the positive tone of the report.

76. **Barking Market - Changing governance arrangements & detailed historic accounts**

At the meeting of PAASC on 24 June 2015, Members received the Council’s Statement of Accounts and noted under the section “traded operation” that Barking Market had gone from making a surplus of £16K in 2013/14 to a deficit of £52k in 2014/15. Consequently they asked for a report to be presented to this meeting with more information. This report also set out the change of governance arrangements for the market and details of historical market accounts.

The Divisional Director, Environment presented the report. He highlighted that Barking Market had been subjected to a reduced number of days trading and reduction in footfall of 10% year-on year, however there were changes planned in the way the market would be organised with an intention of reversing its loss making. This would include the opportunity for rebranding of the market, maximising trading days, a review of processes and seeking growth of the market, which together would generate more income for the Council.

The Select Committee noted the report, however expressed their concerns that Barking Market had been making losses over a period of time. They considered that it was being surpassed by other markets in the locality such as Ilford and Romford and a number of pound stores, particularly in relation to often poor quality of goods and services being sold at Barking Market. They remained unconvinced that it remained financially viable although the Divisional Director, Environment assured the Select Committee that the market was covering its costs.

The Select Committee requested a further report to the next meeting of the Select Committee on 21 October, showing a more detailed financial breakdown of Barking Market including trading accounts. They also requested a six-month update report on its financial viability at the meeting on 22 March 2016.

77. **Work Programme 2015/16**

The Group Manager Democratic Services presented a report to the Select Committee considering the Work Programme for 2015/16.

In addition to the reports requested at this meeting, the Select Committee also asked for a report on redundancies agreed over the past two years, including justifications and costings. It was noted that this would be incorporated with the report on Consultancy, agency and interim costs requested at the last meeting.