MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 29 June 2016
(7:00 - 9:25 pm)

Present: Cllr Dave Miles (Chair), Cllr Rocky Gill (Deputy Chair), Cllr Jeanne Alexander, Cllr Peter Chand, Cllr Elizabeth Kangethe, Cllr James Ogungbose, Cllr Adegbuyega Oluwole and Cllr Tony Ramsay

Apologies: Cllr Phil Waker

1. Declaration of Members’ Interests

There were no declarations of interest.

2. Minutes (22/03/16)

The minutes of the meeting held on 22 March 2016 were confirmed as correct.

3. Petition re: Closure of the Civic Centre

At the meeting on 22 March 2016, the Select Committee noted that it had been approaching 12 months since the petition opposing the closure of the Civic Centre as a public building was presented for a decision. However seeing the representative of the lead petitioner was not able to attend, and in the knowledge that a further report was due to be presented to the Cabinet regarding developments as to the future use of the building it was decided to defer a final decision on the matter until this meeting.

The Cabinet at their meeting on 19 April 2016 considered a further report on the rationalisation of Corporate Office Portfolio and with regard to the Civic Centre, decided that in order to expand the scope for opportunities and contribute to the objective of raising educational attainment in the community, to extend the potential future use of the Civic Centre from the original stated objective of a secondary school to a wider educational use. Importantly the proposal included the intention that any negotiations with potential future users of the building would require that part of the building would continue to be available for civic purposes, such as council meetings.

In the light of this decision Jon Cruddas, MP, the lead petitioner had expressed his thanks to the Council in recognising the strength of local opinion and responding in a positive fashion to residents’ concerns highlighted through the presentation of the petition.

The Select Committee noted the report and that no further action would be take in respect of the petition.
The Chair on behalf of the Select Committee noted that this was the last meeting that the Group Manager, Internal Audit & Counter Fraud would be attending. He thanked him for his work over many years and wished him every success in the future.

This report brought together all aspects of audit assurance and counter fraud work undertaken in the 2015/16 financial year, including actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority. The report included the Head of Internal Audit opinion on the internal control environment for 2015/16. The main body of the report also highlighted key outcomes from audit & counter fraud work and provided information on wider issues of interest to the Select Committee. The appendices provided greater detail of the performance of each of the teams for the period.

The Select Committee sought clarification on the recommendations from audits. The Group Manager, Internal Audit & Counter Fraud advised that each audit report is tracked to recommendations and the completed 2015/16 Audit Projects as at 31 May 2016 was shown as a pie chart as an appendix to the report. If audits had not been completed or the recommendations not implemented, these were identified as “red” in the report.

The Select Committee were concerned about the outcomes of the internal audit report on Trade Waste, in particular the loss of income. They noted that under the Ambition 2020 service proposals, a revised approach to trade waste would be adopted to ensure full cost recovery and no additional expense to the Council. The Group Manager, Internal Audit & Counter Fraud advised that the report was shown as “limited assurance” and a lot of the recommendations needed to be linked to Ambition 2020.

The Select Committee referred to Housing investigations. The Group Manager, Internal Audit & Counter-Fraud advised that systems were being improved and that a Housing Officer was being seconded into the team to deal specifically with tackling fraud issues in this area, including work in relation to proving if e.g. residents in Council housing were living at other properties.

The Select Committee enquired about the outcomes of ‘closed’ cases. The Group Manager, Internal Audit & Counter Fraud confirmed that this related to non-fraud cases e.g. repairs, which were then referred back to Housing officers.

The Select Committee requested details of the implementation of audit recommendations e.g. responsive repairs and in this regard, the Group Manager, Internal Audit & Counter Fraud stated that further explanation can be provided for the Select Committee. The Strategic Director, Finance & Investment would look into this matter with a view to arranging for a briefing note being sent to the Select Committee.

It was requested that a quarterly information bulletin be sent to all Members in relation to prosecutions with inclusion in the e-mailed Members’ briefing a potential option.
5. **Review of Key Counter Fraud Policies and Strategy**

In order to ensure proper arrangements for administering the Council’s financial affairs, the Council had adopted key policies and a strategy to combat fraud and irregularity. To further strengthen their importance as part of robust governance, these were approved by Cabinet with a recommendation that they should be reviewed annually. Accordingly, they were presented to the Select Committee to note and comment upon in respect of the:

- Counter Fraud Strategy
- Counter Fraud Policy including Fraud Response Plan
- Prosecution Policy
- Money Laundering Policy
- Whistleblowing Policy
- Regulation of Investigatory Powers Policy
- Bribery Act Policy
- Proceeds of Crime Act Policy and Procedures

The Group Manager (Internal Audit & Fraud) presented the report and advised that the Counter Fraud Strategy had been updated and a Proceeds of Crime Act Policy developed, to reflect the creation of an Accredited Financial Investigator role and the additional powers available.

The Select Committee noted the report.

6. **Potential shared service for Internal Audit**

There was a requirement under the Accounts & Audit Regulations 2015 (England & Wales) for local authorities to have an internal audit function and effective internal control was also a responsibility of the Council’s Section 151 Officer. Regulations did not define how the service should be organised or delivered with many shared or joint arrangements in place across London supported by a number of private sector audit firms.

The Strategic Director, Finance & Investment introduced the report and advised on the proposal that four boroughs would progress the business case for a shared internal audit service in East London, namely: the London Boroughs of Barking & Dagenham, Redbridge, Tower Hamlets and Waltham Forest. Whilst the Select Committee were not a decision making body, due to its remit on corporate governance and assurance oversight, and the role internal audit plays in fulfilling that, it was invited to provide comments on the proposal and these would be incorporated in a report to Cabinet in the near future.

The Select Committee enquired why the Council could not consider retaining its own internal audit function. The Strategic Director, Finance & Investment responded that the proposed shared service would still allow the Council to retain its own Audit Plan of total audit days per year, however it had been increasingly difficult to recruit internal auditors in the sector and the proposed shared service would provide greater resilience and avoid the need to use additional bought in resources as currently happens from Mazars via the Croydon led framework contract.
The Strategic Director, Finance & Investment explained that in the light of the Group Manager of the Service leaving imminently, and whilst the business case for a joint borough initiative is being developed, the London Borough of Redbridge have offered the Borough a management capacity to support the service in the interim. To that end, the Chair welcomed Julie Sharp, Head of Internal Audit at the London Borough of Redbridge to the meeting in an observing capacity. She advised that her team had considerable experience in audit matters and will have the management capacity to support the Borough as it is looking to scale back its own Audit Plan which is significantly larger than Barking and Dagenham’s Plan and looked forward to working with the Council.

The Select Committee:

i. Noted and welcomed the proposal to pursue a shared internal audit service with other east London boroughs, which if it comes to fruition they would want to see it reviewed on an annual basis with the option for the Council to revert to its own internal audit service if necessary.

ii. Noted the interim management arrangements with London Borough of Redbridge for the service pending the development of a business case for shared services; and

iii. Requested a copy of the audit plans from the other three boroughs proposed to be part of the shared internal audit service with LB Barking and Dagenham.


At its meeting of 22 March 2016, the Select Committee received a report confirming the accounts for Barking Market from 2012/13 to 2015/6 together with details of how the finances for the 2016/17 budget will be brought into line. The Select Committee requested that an updated report was submitted to this meeting to include:

(a) The 2016/17 Barking Market budget;

(b) An analysis of the Market’s viability;

(c) The further costs for the Barking Market Manager post which had been covered on an interim basis and would be brought to a conclusion on 31 March 2016;

(d) The impact of the reductions shown in the report as part of the strategic direction of the Market; and

(e) the reasons for the significant increase in staff costs;

The Operations Director introduced the report which included a budget table, realigned to provide the Select Committee with further clarification in relation to the £359,800 referred to as Support Services with the budget for 2015/16. This sum was clarified as direct Council related support costs of £33,400 for services such as ICT, finance support and other internal recharges and a net contribution of £326,400. The forecast column in the budget table for 2016/17 set this out for
The Operations Director highlighted in the report an analysis of the market’s financial viability, the strategic direction for Barking Market and increase in staffing costs for 2015/16. He considered that the Market was currently financially viable and it had made a net contribution to the Council of £146,401 in 2015/16. A new strategy for the market was being implemented, to ensure the market was able to operate within agreed budget limits and achieve a more realistic income target that had been set. In addition, the increase in staffing costs for 2015/16 reflected the transfer of staff from Charfleets to the Council which was made under TUPE. As a result, staff were remunerated under Charfleet’s terms and conditions for 2015/16 and this was being reviewed as part of the establishment of the Council’s new enforcement service.

The Operations Director confirmed that the overall costs for cleansing and refuse collection remained a challenge although cost reductions of £55,000 had been achieved for 2016/17 and further work would be undertaken in this financial year to assess how the regeneration programme had impacted on the management of refuse and improvements in overall cleansing.

The Select Committee sought to ensure that the advertising budget of £20,000 would be fully and effectively used to promote the Market and the long term challenge was to improve to attract a better standard and range of pitches and so doing provide a higher quality and range of goods to the public. They considered that the regeneration of Barking Town Centre would benefit the Market in terms of spending.

The Select Committee noted and welcomed the report and requested an update report on the breakdown of accounts for Barking Market at their meeting on 1 February 2017.

8. Highways Investment and Reactive Maintenance Update

At its meeting on 22 March 2016, Members had received a report providing a broad analysis of the highways improvement programme spend between 2008-2016, by ward and a rationale for the decision making of spend in the period 2016/17.

The Select Committee at that meeting had asked for further clarification on a number of points, namely:

- The decision making process for the spend on the highways improvement process; and
- The transparency of that process for future spend.

The Operations Director introduced the report which included a documented chronology of decisions related to expenditure on planned highways improvement from 2005. He hoped that the Select Committee would welcome this greater level of information to demonstrate the transparency.

In terms of 2016-17 the decision in relation to the Highways Improvement Programme (HIP) was set out in the March 2016 report to PAASC. Three criteria
had been set:-

- Proximity to School
- Proximity to Medical Facility
- Adjacent to a Principle Road

The allocated spend for the HIP for 2016/17 is £700,000. To date no works had been undertaken. The Select Committee were concerned that the budget was low and that this would need to be increased in the future, given the scale of works required. The Operations Director advised that he needed to consider the highways spend in totality and that this would need to be spent more effectively as there was a budget shortfall across the Council of £63m. This was confirmed by the Strategic Director, Finance & Investment. The Operations Director added that a comprehensive HIP would allow for a reduction in need for reactive maintenance in the longer term.

The Operations Director also provided a presentation to the Select Committee which included detailed analyses of carriageway priority listing, footway priority listing, and carriageway/footway maps. The Select Committee requested an ‘area based’ approach on highways investment and reactive maintenance and the Operations Director would provide a breakdown and also send details to Members showing an analysis of all roads in the borough.

The Select Committee noted and welcomed the report and presentation and noted that a consolidated report on all Highways improvement would be approved by Cabinet on an annual basis.

9. Work Programme 2016/17

The Select Committee noted the report and ask that going forward with similar reports that when referring to the legal basis for overview and scrutiny reference should be made to not only the core legislation namely the LGA 2000 but also the subsequent amending legislation principally the Police and Justice Act 2006, the Local Government and Public Involvement in Health Act 2007 and the Local Democracy, Economic Development and Construction Act 2009. It should also reflect that the scrutiny function ultimately reports to the Assembly as an effective ‘check and balance’

As regards the Work Programme 2016/17 which was set out as an appendix to the report, the Select Committee requested:

Consideration of moving or cancelling the scheduled meeting on 25 July 2016 as several members would not be available, especially as this was during the Summer school holiday recess.

An update report on Barking Market to the meeting on 1 February 2017.(q.v)

Member briefing notes will be prepared in relation to a breakdown of the costs associated with the Growth Commission budget and vehicle cross-over costs to the public on fees and charges.

(Standing Orders were suspended at this juncture, in order to allow the meeting to
10. *Update on the use of Agency staff, Project workers and Consultants*

The Select Committee received an update report on the analysis of non-permanent staff across all services, broken down by:

- **Agency staff** - non permanent staff working under LBBD direction and covering established vacant posts pending recruitment or brought in to meet short-term operational demands such as sickness or peak workloads;
- **Programme and Project workers** - non permanent staff working under LBBD direction and brought in for a fixed period to provide specific skills and knowledge for the duration of a defined programme or project; and
- **Consultants** - employees of third party organisations working under the third party’s direction to deliver a specific output as commissioned by the Council.

The Strategic Director, Finance & Investment introduced the report and confirmed that this information was also presented to the Employee Joint Consultative Committee on a regular basis.

The Select Committee noted the report and detailed appendix and continued to express their concern about the high level daily rate costs of agency staff, project workers and consultants particularly in relation to those working in the Children’s Social Care ‘SAFE’ programme, a matter that the Strategic Director, Finance & Investment would discuss with the Strategic Director, Service Development & Improvement.

The Select Committee requested officers to continue monitoring the numbers and costs involved with a view to reducing the costs wherever possible and in line with service requirements. In addition they noted that some areas indicated a very high hourly rate and requested that those earning over £500 per day should be shown on a separate sheet which would help them to monitor this more effectively. They added that those employed in such a capacity should be on a short term basis only, with savings being made first in this area before front line services would be affected.

*Item considered following the passing of a resolution to exclude the public and press by virtue of paragraphs 1 &2 of Part 1 of Schedule 12A of the Local Government Act 1972.*