MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Tuesday, 12 September 2017
(6:00 - 7:16 pm)

Present: Cllr Dave Miles (Chair), Cllr Rocky Gill (Deputy Chair), Cllr Elizabeth Kangethe, Cllr Margaret Mullane, Cllr Tony Ramsay and Cllr Phil Waker

Also Present: Alan Hill;

Apologies: Cllr Peter Chand and Cllr Sam Tarry

17. Declaration of Members' Interests

There were no declarations of interest.

18. Minutes - To confirm as correct the minutes of the meeting held on 25 July 2017

The minutes of the meeting held on 25 July 2017 were confirmed as correct.

Matters Arising

HRA General Fund split report

Members raised concerns that about the split of costs apportioned between the HRA and the General Fund and used the overtime for Caretakers as an example. The COO responded that the report to the Select Committee in October 2017 would set out the general principles in which this apportionment was made. She informed Members that this did not include time keeping of front line operatives.

Local Government Ombudsman

Members referred to the Local Government Ombudsman and a previous discussion on the number of cases being upheld and asked if a future report could be submitted to the Select Committee on how the Council performed against other boroughs. It was agreed that a report on the performance of the Council on answering complaints and Ombudsman would be presented to the 6 December meeting.

Statement of Accounts

Members asked about the issue raised by a member of the public on the Statement of Accounts. The Director of Finance (DF) responded that it was a personal complaint relating to rent accounts.

19. Composite Internal Audit and Counter Fraud Report 2017/18- Quarter 1

This report brought together all aspects of assurance and counter fraud work undertaken to date during 2017/18. The report detailed audit progress to 31 July
2017 and included details of the high-risk recommendations outstanding and actions being taken by management to address these.

Members were concerned about the mental health safeguarding audit and the relationship with the North-East London NHS Foundation Trust (NELFT). The audit focussed on adult safeguarding, management of referrals, case and record management as well as performance management. Members asked what management were doing to address the issues raised in the internal audit. The Interim Senior Internal Audit Manager (ISIAM) advised that all risks and such matters were reported to the Corporate Assurance Group, chaired by the Chief Executive. The ISIAM also advised that managers were required to provide evidence of improvements. Members noted that a review of mental health services was being undertaken and requested a presentation to their next meeting, which was also held at Assembly on 13 September 2017.

Members were concerned about the internal audit report on the Vehicle Workshop, which was brought back in house with effect from 1 September 2015. The internal audit focussed on the management of works, suppliers and sub-contractors, recharges and stock control. Members highlighted their concern that internal audit had identified that training records had not been updated and there had been irregularities relating to the quantity of fuel supplies previously issued. They also asked about the O (operating licence). In response, the COO advised that there had been a subsequent review of the Vehicle Workshop and a Consultant had been employed to investigate the matters raised by the audit. She advised that an improvement action plan was now in place and a Workshop Fleet Manager had been appointed who would commence employment with the Council shortly. She stated that there would be further improvements and an assurance had been provided to internal audit on this point. She expressed concern about the IA report and stated that the issues raised by internal audit had been largely historic. The O licence had been issued to an individual previously, who subsequently reported sick.

Members asked why the 2017/18 plan had not been completed earlier and the ISIAM advised this was owing to awaiting the outcome of final investigations.

Members were also noted that internal audit had identified that there had been a high level of non-compliance relating to purchase orders (PO's) which had been issued after invoices were issued and registered on Oracle. The DF responded that there was a need to clear requirement to improve the process by officers raising PO's and issues of non-compliance were reported to the Corporate Procurement Board on a ‘name and shame’ basis. It was essential that PO’s were raised first and there have been some past occasions when invoices have been sent by suppliers very quickly so timing was also an issue in some cases.

Members asked about whistleblowing in that the Corporate Anti-Fraud Team identified that there were 40 cases where no further action was carried out after initial review. The COO advised that these figures were similar to other internal audit reports in previous years. Some whistle-blowers may have raised concerns with management which had been subsequently allayed and there may also have been some misinformation leading to whistleblowing. She added that this information will also be included in later internal audit reports for quarter 2 and beyond so Members would be able to compare statistics later on in the year.
20. **Reserves Update**

A request was made by the Select Committee that an update on the Council’s reserves situation was presented to them at this meeting. The report also highlighted the definition and guidance on reserves from CIPFA.

The key points of the report were:

- Each of the Council’s reserves are clearly identified
- The intended use of each reserve,
- Forecast spend and use of each reserve
- The forecast balances of each reserve for the financial years 2017/18, 2018/19 and 2019/20.

The key issues to note currently were:

- All reserves are being used in accordance with their intention
- The Council’s levels of reserves are greater than the minimum requirements needed for the organisation.

Members noted the report however expressed concern that there had been a reduction in reserves of 50%. They were concerned that a further reduction in reserves would create very real difficulties for the new Council after May 2018 in provision of services. Members noted that the level of overspend reported to Cabinet was £5m and considered that the current amount of overspend was of concern, with particular reference to Public Realm and a report on a review and recovery plan was being submitted to them at their meeting on 18 October 2017. The COO responded and recognised that the financial position facing the Council was very challenging in seeking to address the overspend and meet the savings needed however noted that Cabinet were considering a report on “Be First” at its meeting on 19 September 2017 which anticipated an income of £10.3m in the next five years. Cabinet receives regular Budget Monitoring reports and this and the Reserves report to the Select Committee were intended to facilitate and encourage an open and transparent approach in keeping Members updated on these important matters and included actions for managers to take in reducing the overspend. She also advised that the overspend and actions by management to address this was reported to the Corporate Performance Group.

It was noted that the reserves of £15m were at a higher level than previously but was currently the minimum recommended level of General Fund balance (reserves). Both the COO and Director of Finance (DF) regularly discussed about the potential for replenishing the reserves and income generation. There was no definitive calculation for the general fund balance.

The COO also advised that a further £16m in savings were required in the 2018/19 financial year. Further cutting of posts would have a detrimental impact on services and therefore it was necessary to change the way the Council worked. In addition the overspends needed to be dealt with and monitored in a transparent way.

Members asked what the finance planning was for 2018/19 which may involve further depletion of reserves and they considered that Finance officers needed to be firm in addressing the overspend with individual service areas. DF responded
that the process of financial planning for 2018/19 would incorporate the overspends as part of the overall budget gap. She advised that Management actions were in place as part of the recovery plan in order to achieve the required budget savings. It was recognised that the Council should not as far as possible keep on utilising the reserves, diminishing the General Fund balance further. There was £100m in the general fund and this covered for a period of two months payroll.

The Independent Adviser added that the figure of £15m was reasonable for the general fund Council reserves but expressed concern that this could be depleted further and suggested consideration to review earmarked reserves.

The Select Committee noted the report.

21. ICT Transformation

The Council was completing a major IT Transformation programme which supported the Smarter Working and Financial Savings programmes. As part of the IT Transformation programme, Google Chromebook and Chromebox devices have been replaced by Windows 10 laptops.

This report summarised the path and some of the key decision points over the last four years that gave rise to the IT Transformation programme and outlined some of the key achievements and benefits that have been delivered by it.

Members welcomed the report although expressed concern about the use of Chrome Books and that there being no financial information contained in the report. The COO in response stated that the IT transformation conducted by the Council was similar to other local authorities and that this had incorporated a new Data Centre and new ways of working. She recognised that ICT was changed rapidly and with new office spaces created which would accommodate more people within Barking Town Hall and other adjacent sites e.g. Maritime and Roycraft House. It was also recognised that employees welcomed the opportunity to work flexibly and that savings would accrue, particularly owing to the leasing of the Civic Centre to Coventry University (London) The Elevate contract was subject to renewal in the next two years.

In terms of costs, the DF advised that the cost of Chromebooks including hardware and Citrix was £1.4m. Windows XP and other infrastructure costs were £4.1m including hardware, licensing and sever changes and noted that there were 800 servers in the council.

Members asked about the unit cost of laptops and in response and it was noted that Microsoft controlled the license and savings had been made with new ways of working.

Members asked about new telephone technology with reference to mobiles. COO advised that a report had been submitted to Cabinet (when) to agree a new phone supplier and that a number of employees have been issued with a Samsung smart phone and Skype can also be used to keep in touch with staff.
The Select Committee:

Noted the significant benefits and achievements of the IT Transformation programme and;

Noted the rationale for moving from Google Chromebooks to Windows 10 laptops

22. **Debt Management Performance and Write-Offs 2017/18 (Quarter 1)**

The report set out the performance of the Council's partner, Elevate East London, in carrying out the contractual debt management function on behalf of the Council. This report covered the first quarter of the financial year 2017/18. It also included summaries of debt written off in accordance with the write off policy that was approved by Cabinet on 18 October 2011.

Members were concerned about the overall debt collection performance and the combination of new business rates and changes to rateable values have increased the net collectable debit by £1.5m in the first quarter of 2017/18. They also asked if discounts in business rates were considered. The Revenues Manager advised that the report highlighted it had been a difficult quarter in terms of debt collection, particularly as Business Rates and changes to Rateable Values had increased the debt. Actions were being taken to address the debts in various areas. He confirmed that there were no discounts on business rates.

The Select Committee:

(i) Noted the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents;

(ii) Noted the debt write-offs for the first quarter of 2017/18

23. **Work Programme**

The work programme was noted and it was requested that reports could be considered at some time during the remainder of the municipal year:

1) A short report on the assets disposed of by the Council over the last few years. (This has been the subject of a recent Freedom of Information request)- December 2017

2) Members noted the media reports of a large-scale Housing Benefit Fraud and asked when it would be possible for a report on this matter. Post meeting the COO has understood that this case is not due to be heard in court until 2018, which means that this remains an active investigation and any information cannot be disclosed in the public arena until after the trial.

24. **Update on the approval of the Statement of Accounts and Annual Governance Statement 2016/17**

(The Chair agreed that this report could be considered at the meeting under the
provisions of Section 100(4)(b) of the Local Government Act 1972, as a matter of urgency in order to avoid any delay in the publishing of the Statement of Accounts.

The Council’s draft accounts were approved by the Chief Operating Officer in June 2017 and have been subjected to detailed audit by our external auditors, KPMG. Whilst the audit had yet to be completed, KPMG were proposing to issue an unqualified audit opinion for the Statement of Accounts, including the Pension Fund.

In accordance with the Accounts and Audit Regulations 2015, the accounts and the Annual Governance Statement were presented to the Select Committee for their consideration and approval prior to publication by 30 September 2017.

The Select Committee:
  i. Reviewed and approved the Statement of Accounts for the year ended 31 March 2017;
  ii. Approved the Annual Governance Statement for the year ended 31 March 2017;
  iii. In order to comply with the Council’s statutory obligations, confirmed that the Statement of Accounts for the year ended 31 March 2017 can be published by 30 September 2017 and authorised the Chief Operating Officer in liaison with the Lead Member to make any changes to the accounts that may be agreed with KPMG.

25. *Alleygate update*

Members asked for an update with more information and a full exhaustive list. The Operational Director Enforcement Service said that it was aimed for the review to be finalised by the end of the calendar year and would report back then. In the meantime, he would circulate his list of all Alleygates for members with their local knowledge to review.

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