12. Declaration of Members' Interests

None.

13. Minutes - To confirm as correct the minutes of the meeting held on 30 May 2012

The minutes of the meeting held on 30 May 2012 were AGREED as an accurate record.

14. Draft Annual Governance Statement

The Group Manager Internal Audit (GMIA) introduced the report.

The Council is required, by regulation, to produce an Annual Governance Statement (AGS) which should accompany the accounting statements. The purpose of the AGS is to produce an evidence-based “assurance” that the organisation is operating all its activities within a robust governance framework coupled with sound adherence to the Local Code of Corporate Governance and operates a sound system of internal control. The final statement of accounts will be brought before the Public Accounts and Audit Select Committee (PAASC, “the Committee”) in September for approval.

The GMIA highlighted the key issues to PAASC. They were:
- Contracts (Corporate Risk 5);
- Compliance (Corporate Risk 6);
- Efficiency / Savings (Corporate Risk 7); and,
- Information Governance (Corporate Risk 10).

Aside from the above areas which still need to be strengthened, it was confirmed that, in relation to 2011/12,
- the Council’s governance arrangements are robust;
- the Council’s values, ethical standards, laws and regulations are being complied with;
- financial statements and other published performance information is accurate and reliable; and,
- human, financial, environmental, and other resources are managed efficiently and effectively.

The Committee APPROVED the Annual Governance Statement and noted the report.
15. Draft Statement of Accounts 2011/12

The Divisional Director Finance (DDF) introduced the report.

In accordance with regulations, the Council’s accounts have been prepared and certified by the Corporate Director of Finance and Resources as representing a true and fair view of the financial position of the Council for the year 2011/12. Although it is no longer a requirement to present the statement in June, officers continue to do so as best practice.

The Council currently has c. £14.3 million in reserves, up from c. £10 million as previously reported. In tumultuous times, this is prudent. It is expected that this figure will rise by another c. £1.3 million.

After a series of questions, it was noted that the capital programme has a c. £40 million slip, which is attributable to late editions to the capital programme (with some reporting carrying forward, while some does – depending on funding). The capital programme is monitored periodically by Cabinet.

Regarding procurement, Members raised concerns that anticipated savings have not materialised. This was due to the use of external suppliers decreasing dramatically, reducing the scope to make savings in this area. The Corporate Director of Finance and Resources (CDFR) noted that spending has reduced by c. £23 million. The Council now has a procurement board to monitor and plan activity in this area, a positive step.

It was noted that no benchmarking on Council reserves rates is undertaken, and figures in relation to this would be entirely dependent on how individual council’s choose to assess their assets. It was noted by the District Auditor Audit Commission (DAAC) that “reserve building” is a notable trend in the current climate. In relation to utilising that reserve budget, the CDFR said that the £10 million was a minimum figure which should be held at any one time and, as net budgets change, as will the reserve amount. Similarly, as there are many risks in the current climate, it’s prudent to increase the reserve amount. Members should refrain from using reserves, as it will only delay cuts as the reserves are a finite resource. It was confirmed that reserve spending must be member approved. Reserves are kept to minimise risk to the Council.

Officers AGREED:

- to provide information to the committee on why has expenditure on rents, rates taxes and other charges increased from £990k to £1,341k;
- to contact Councillor M Mullane in relation to ward project spending;
- to clarify the figures which relate to the East London Waste Authority (ELWA) on page 978 of the agenda pack;
- to clarify central budget expenditure (which appears on page 93 of the agenda pack);
- to correct the Housing Revenue Account wording (which appears on page 32 of the agenda pack) as the wording is out-of-date; and,
- to provide more information in relation to the £40 million slip in capital spending.

The Committee noted the report.
16. **Composite Internal Audit Report - Outturn 2011/12**

The Group Manager Internal Audit (GMIA) introduced the report.

The report brought together all aspects of assurance and anti-fraud work undertaken in the 2011/12 financial year, including actions taken by management in response to audit activity, which supports the governance framework of the authority. The report also included the Head of Internal Audit opinion on the internal control environment for 2011/12. The audit opinion is an important contributory element of the Authority’s Annual Governance Statement (AGS).

Regarding the Head of Internal Audit Opinion: Internal Audit provides assurance from the work they undertake in respect to the internal control systems operating within the Council. The Head of Internal Audit opinion is given annually, timed to inform the Council’s Annual Governance Statement, which is published alongside the Annual Financial Accounts. For 2011/12 the Head of Audit is able to give reasonable assurance that the internal control environment is operating adequately, on the basis of work undertaken by Internal Audit and drawing on other assurance sources upon which reliance can be placed and which have not identified any major failings or weaknesses e.g. Client Unit & governance arrangements for the management of Elevate for whom Internal Audit do not provide direct audit coverage.

Members compliments the GMIA on the quality of the report and thanked him accordingly.

The Committee noted the report.

17. **Risk Management Quarter 4 2011/12 Review Report**

The Group Manager Risk and Insurance (GMRI) introduced the report.

The report provided a summary of the position of the corporate risks for Quarter Four 2011/12.

It was noted that strategic leadership of corporate risk management sets the tone for the whole risk management framework. This supports the expectation that effective management of risk becomes part of officers’ day-to-day activity – underpinning decision making and service delivery.

It was noted that:
- **CRR01 (Safeguarding Children)**: This is not out of line with other authorities.
- **CRR31 (Inability to Provide School Places)**: Lots of work is ongoing, but as places are still needed, the indicator is still rated 12.

The Committee noted the report.

18. **Insurance Year End Situational Report**

The Group Manager Risk and Insurance (GMRI) introduced the report.
It was noted that approximately 20% of an organisation’s risks are insurable. Insurance is one of the main methods of transferring risk and as such plays an important role in any risk mitigation strategy. Insurance is arranged to manage insurable risks, and in some cases it is a legal requirement. The report set out for Members how the Council manages the transference of these risks, and how claims against the council are managed both proactively and responsively.

In 2012 the Council entered into a new 5 year contract with Zurich Municipal Insurance (ZMI). They have been the Council’s insurers since the demise of Municipal Mutual in 1992.

It was noted that the £150,000 excess is one of the lowest in London. Members then debated the pros and cons of the high premium versus low excess and vice versa.

The Committee noted the report.

19. **Contract Work to Local Businesses**

The Divisional Director Finance (DDF) introduced the report.

It was noted that this report was submitted under Agenda Item 9. The Chair decided it could be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency.

The report updated members on the current level of spend with, and recent contract awards to, local businesses – and initiatives underway to support them.

It was noted that the Council is moving to a position of having monthly expenditure reports from Elevate East London. Once this is in place and embedded the CDFR AGREED to produce a new report which better captures work in this area.

The Committee noted the report.

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

Noted.

21. **LBBD Position against the key Recommendations from the NFA 'Fighting Fraud Locally'**

Noted.

The meeting closed at 19.35.