PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 30 January 2013
(6.02 - 8.48 pm)

Present: Councillor A S Jamu (Chair), Councillor T Saeed (Deputy Chair), Councillor S Alasia, Councillor J Channer and Councillor G Letchford; Dr Ian Fifield

Also Present: Councillor E Carpenter, Councillor J Ogungbose and Councillor R Gill

Apologies: Councillor M Mullane;

51. Declaration of Members' Interests

None.

52. Minutes - To confirm as correct the minutes of the meeting held on 7 November 2012

The minutes of the meeting held on 7 November 2013 were AGREED as an accurate record.

53. KPMG - Certification of Grants and Claims

The External Auditor (EA) introduced the report.

The report summarised the results of work on the certification of the Council’s 2011/12 grant claims and returns. For 2011/12 three grants with a total value of £183,000,000, and two returns with a total value of £68,000,000 have been certified for the London Borough of Barking and Dagenham (LBBD, “the Council”).

It was noted that some of the work was undertaken by the Audit Commission before responsibility for External Audit activity transferred to KPMG on 1 November 2013. Furthermore, the Public Accounts and Audit Select Committee (PAASC, “the Committee) learnt that:

- Unqualified certificates were issued for four grants but a qualification was necessary for one claim, which is not uncommon.
- No adjustments were necessary to 3 of the Council’s grants and returns as a result of the certification work this year.
- The Council has adequate arrangements for preparing its grants and returns and supporting KPMG’s certification work.
- The overall fee for the certification of grants and returns is higher than the original estimate. The initial estimate was £105,000, the actual fee is £119,848.

The Committee noted the report.
Composite Internal Audit Report - Quarter Two & Quarter Three 2012/13

The Group Manager (Internal Audit and Corporate Anti-Fraud) introduced the report.

The report covered all aspects of assurance and anti-fraud work undertaken in Quarters 2 and 3 2012/13, including actions taken by management in response to audit activity, which supports the governance framework of the Council. The report also set out the outcome from the annual review of effectiveness of Internal Audit.

The Committee asked the Group Manager for an update on the cash handling audit that was undertaken due to fraudulent activity. It was noted that the area is annually audited, and this year’s audit is underway. New processes have been put in place which has mitigated the risk to a great extent. For example, duties have been separated out to ensure more independent reconciliation takes place. Internal Audit have thorough follow-up processes after an Audit takes places. These have been followed for this case.

Regarding the Audit Commission’s ‘Protecting the Public Purse’ report (mentioned in paragraph 2.2 of the report) the Committee enquired if local figures were available to compare against the national ones. It was outlined that the Council’s own figures were used by the Audit Commission s they could calculate the national figures they use in the report. Furthermore, some figures are actual amounts while others are calculations. It was AGREED that Councillor Saeed would meet with the Group Manager to look further into the local figures and report back to the Committee at a later stage.

Regarding Blue Badge Fraud, the Committee was informed that, although robust anti-fraud measures are in place, notably the vetting of applications and renewals and the matching of nationwide registered deaths to Badges in circulation as part of the biennial National Fraud Initiative data matching exercise, it is still difficult to give assurance that measures are adequate to identify and deal with repeat offenders. There are a number of reasons for this, notably:

1. Technology issues meaning Civil Enforcement Officers (CEOs) do not have access to the London-wide database of lost, stolen, and unreturned badges.
2. A lack of a formalised policy of dealing with instances of Blue Badge misuse reported to mobility services.
3. Inadequate record keeping of Blue Badge offences dealt with by CEOs and cases of Blue Badge misuse reported and dealt with by Mobility Services.

It was further noted that only police officers can confiscate Blue Badges and they can only be revoked once a “pattern” of misuse has been identified. This significantly impedes the Council’s ability to tackle misuse. However, the Committee was pleased to note that new legislation will be forthcoming on this issue.

Councillor Carpenter, a guest at the meeting, enquired about the Benefit Fraud Team restructure as outlined on page 31 of the agenda pack. It was noted that Elevate East London will now be running the team and the proposal is to reduce the number of investigation officers, not the number of preventative officers. The Customer Services Director, Elevate East London noted that the number of benefits assessors needs to increase as there has been a 30% rise in the number of claims.
Further to this, once Universal Credit (UC) is fully implemented, it will be the Department for Work and Pensions (DWP) to stipulate the number of local officers, not the Council or its partners. This is because DWP will directly administer UC and will tackle fraud though its Significant Fraud Investigation Unit. The new processes linked to UC should reduce the level of fraud also. The Council will need to retain an anti-fraud team as Council Tax Benefit will remain in the Council’s control.

The Committee asked KPMG on whether they felt the Council’s Internal Audit function was operating. KPMG confirmed that, since 1 November 2012, they have not had any concerns they need to highlight to the Committee. As a part of their work plan in 2012/13 an assessment of the robustness of Internal Audit will be undertaken and any issues will be brought to the Committee’s attention.

The Committee asked the Group Manager to reconsider the reporting method in relation to the percentage of the Audit Plan completed. It was noted that the figure would only be available once the 31 March 2013 date had passed. However, the Group Manager AGREED to assess whether an alternative reporting method (based on interim targets) could be used instead.

The Committee noted the report.

55. Review of Key Anti-Fraud Policies & Strategies

The Group Manager (Internal Audit and Corporate Anti-Fraud) introduced the report.

The Group Manager outlined that, in order to ensure proper arrangements to administer the Council’s financial affairs, the Council has adopted key policies to combat fraud and irregularity. To further strengthen their importance as part of robust governance, these policies were approved by Cabinet in January 2012 with a recommendation that they be reviewed annually and taken back to Cabinet if any significant changes occur. In light of the only minor revisions to the Policies after review, the Policies were presented to PAASC to note and comment upon.

Most notably, the Regulation of Investigatory Powers Policy (RIPA) has been updated to reflect the new requirements of the Protection of Freedoms Act 2012.

The Committee asked the Group Manager to detail how the policies are communicated to the Council’s staff. The Committee learned that:

- Awareness notices are disseminated in a variety of ways
- Training (including by external providers)
- Specific staff are spoken too and trained individually.
- Poster campaigns and e-mail bulletins.

The Committee noted the report.

56. Risk Management Quarter Two 2012/13 Review Report

The Deputy Section 151 Officer introduced the report.

The report provided a summary of the position of the Corporate Risks for Quarter 2 2012/13. 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 the day job” underpinning day-to-day decision making, service delivery, and ultimately delivery of outcomes and benefits for the community.

The Deputy Section 151 Officer outlined that the Corporate Risk Register (CRR) is regularly reviewed by the Corporate Management Team (CMT).

Regarding CRR06 (Compliance and Assurance) the Group Manager (Internal Audit and Corporate Anti-Fraud) informed PAASC that officers are reviewing what is meant by “compliance and assurance” in this context. It is broadly felt that the Council is a very compliant authority at the strategic level but, operationally, there is room for improvement. Furthermore, once PAASC has completed its review of Elevate East London officers hope PAASC will have the capacity to return to its review of Compliance which will greatly assist officers.

Regarding CRR10 (Information Assurance) there are regular meetings which keep a keen oversight of the risk.

Regarding CRR05 (Contracts) and CRR06 (Compliance and Assurance) PAASC was concerned that there has been little movement with the risk ratings. The Committee was informed that a lot of work was being undertaken – especially by colleagues in Elevate East London – but the Council is operating in an ever changing environment with new challenges which impact on ratings. Officers acknowledged that the Council needs to improve its client monitoring function.

CRR34 (Criminal Record Bureau checks) and CRR35 (Shared Service) are both new risks, the rationale for their inclusion was shown on page 120 of the agenda pack.

PAASC affirmed that the Corporate Risks – and the effective management of them – should form a key part of the CMT team member’s performance reviews with the Chief Executive in an effort to improve accountability. Officers were reminded that target dates should not slip.

The Committee noted the report.

57. **Budget Process 2013/14**

The Cabinet Member for Finance introduced the report.

The report set out:
- The Medium Term Financial Strategy (MTFS) at a two-year summary level;
- The impact of the Local Government Finance Settlement;
- The proposed level of Council Tax for 2013/14

The purpose of the report was to enable PAASC to scrutinise the overall budget in advance of final approval by the Assembly on 25 February 2013.

The Cabinet Member for Finance noted that the Council still faces a £7,707,000 budget gap in the 2014/14 financial year. Three major changes to the MTFS – which sets out the national financial context within which the Council operates, the financial objectives which the Council wishes to achieve, and the mechanisms with which it plans to achieve these objectives – were laid out on page 128 of the
agenda pack. The impact of the finance settlement on the MTFS was included on pages 128/9. Asking if there would be any mitigation to the £7.7m gap, it was noted that, in April, the Council will take direct control of Business rates. However as the borough does not have a big business base there will be no immediate financial benefit resulting from this. However, it is hoped that, over time, the local economy will get stronger and new local jobs will be created. Currently 35% of residents do not pay Council Tax and 10% have a single person discount. Increasing the number of jobs will increase the amount of money the Council has available to spend. The new ASDA Superstore and Premier Inn are both positive steps. The Council needs to work hard to grow the borough’s manufacturing base and increase private investment.

The Cabinet Member for Finance was proud to announce that Barking and Dagenham would be freezing Council Tax for the fifth year.

The Council has a £179,000,000 Capital Programme in place for 2013/14. Due to the current economic climate borrowing to fund capital expenditure has been kept to a minimum with the Council seeking to generate alternative sources of funding through grants and capital receipts. For example the new Axe Street Leisure Centre was initially to be funded through borrowing but it will now be entirely funded from alternative sources (e.g. Capital receipts). If the Council has assets which are of no use they should be disposed so the capital receipts generated can be used to benefit the borough. Ensuring new school places are provided forms a significant proportion of the Capital Programme. It was AGREED that Councillor Channer would pursue the idea of the Living and Working Select Committee (LWSC) undertaking a scrutiny review of the Capital Programme to investigate whether it is successful in generating job and stimulating growth.

There is no impact to the Council’s finances resulting from the Mayor of London’s £3.72 reduction in the Greater London Authority (GLA) precept for 2013/14 to £303.00 (for Band D).

Discussing the wider budget process the Cabinet Member was confident that an open and robust process was used. There were extensive internal discussions between officers and councillors, five open select committee meetings where the views of the public and other organisations were sought and listened to, two Leader’s Question Time events for the public to engage with, and extensive online and printed consultation. The Cabinet Member was pleased at the strong contribution from the Council’s backbenchers, other organisations, and the public. As a result of the feedback several changes were made to proposals. However, difficult choices needed to be made and the Council will have to reduce its activity in line with its reduced funding. It is hoped that the budget process for 2014/15 will be completed by the Summer of 2013.

The Committee sought reassurance that the agreed savings would be monitored by Cabinet. The Cabinet Member outlined that a monitoring report is presented to every Cabinet and that PAASC members would be welcome to attend and contribute to the discussion.

It was AGREED that finance officers would produce a short report outlining the Council’s main funding streams (e.g. formula grant and Council tax) going back to 2008 when funding changes were introduced.
The Committee noted the report.

58. **Performance House - Quarter 2 2012/13**

The Group Manager Policy and Performance introduced the report.

The report set out performance information in areas of real interest to Members and where performance has improved or dipped. It provided a summary of performance at Quarter Two (July to September 2012). It also detailed the 19 key priority indicators, the Performance House, and complaints and member enquiries data.

A wide range of performance is monitored and managed across the Council and is reported in a number of ways including in Portfolio Holder meetings and to Partnership boards. The Performance House provides a collective overview of performance across the Council/borough in order to inform decision making and use of resources, and to provide Members with a clear snap-shot of how priorities are being managed and implemented.

Officers were pleased to note that all children had now been allocated a school place.

It was **AGREED** that more information on KPI 16C (Percentage of reported domestic violence incidents) would be included in the next report.

The Independent Adviser asked officers to assess whether officers could set a local target that was more realistic rather than just the national standards for processing planning applications. Linked to this, PAASC would like an assessment of whether performance is actually due to there not being enough staff (as discussed on page 148 of the agenda pack). The Group Manager **AGREED** to feed this back to the department and coordinate a response.

The Committee noted the report.


It was **AGREED** that this item would be deferred until the next meeting of PAASC.

60. **Benefits Service Review - Update on Implementation of Recommendations**

The Customer Services Director, Elevate East London introduced the report.

The report is presented to PAASC in response to the recommendations it made in the Scrutiny Annual Report presented to the Assembly on 16 May 2012 regarding the Council's Benefits Service which is administered by Elevate East London.

The Committee was satisfied with progress made by Elevate East London in relation to the benefits service.

It was noted that the transfer of back-office staff to the front line has been hugely successful, the “hotline” is now rarely used, letters have been overhauled, and there are no plans to close either of the one stop shops.
The Committee noted the report.

61. **Revenues and Benefits Service**

The Customer Services Director, Elevate East London introduced the report.

At its meeting on 25 July 2012 the debt management performance of Elevate East London, within the Revenues and Benefits Service, was reported to PAASC for the financial year 2011/12. From this report a number of questions and comments arose. The service was asked to bring a report back to PAASC addressing these. This report facilitated that request.

It was noted that Elevate East London can make savings through economies of scale. In practice this will mean a reduction of managerial posts over time. However, Elevate is committed to creating jobs and stimulating growth in the borough.

PAASC was very satisfied with the quality of the report and asked all officers involved in its drafting to be congratulated.

The Committee noted the report.

62. **Corporate Plan 2013/14 and Community Strategy 2013 - 2016**

The Group Manager Policy and Performance introduced the report.

The report set out the vision and priorities for Barking and Dagenham in the Corporate Plan and Community Strategy. It explained how they have been developed by drawing together the priorities of the Council, as the community leader for the borough, and its partners.

The vision for the borough outlined in the Corporate Plan and Community Strategy is: “Encourage growth and unlock the potential of Barking and Dagenham and its residents.”

The four priorities are:
1. Ensure every child is valued so that they can succeed.
2. Reduce crime and the fear of crime
3. Improve health and wellbeing though all stages of life
4. Maximise growth opportunities and increase the income of borough residents

It was noted that the documents will be presented to Cabinet on in March and Assembly shortly thereafter.

New housing will appear in the next incarnation of the strategy.

The Committee was satisfied with the Corporate Plan and Community Strategy.

The Committee noted the report.
63. Information Governance Update

It was AGREED that this item would be deferred until the next meeting of PAASC.

64. Verbal Update From the Scrutiny Officer

The Scrutiny Officer introduced the item.

The Scrutiny Officer informed the Committee that the initial stages of the review were progressing well. Several meetings have taken place, including:

- A meeting between the Scrutiny Officer and the Group Manager Internal Audit to discuss their audit of Elevate dated April 2012.
- A meeting between the Scrutiny Officer and the Divisional Director Finance on 27 November 2012 to discuss the decision making process which led to the Elevate East London joint venture.
- A meeting between the Scrutiny Officer and the Head of the Council’s Client Team on 10 December 2012 to discuss the Council’s contract monitoring capabilities and reporting issues from September 2012.
- A meeting between the Scrutiny Officer and the PAASC Independent Adviser to PAASC on 10 December 2012 to discuss the potential for external and independent scrutiny options relating to the review.
- A meeting between the Scrutiny Officer and Legal Group Manager (Partnerships & Strategic Procurement) on 10 December 2012 discussing the Client Unit and the overall contract including Gainshare.
- A meeting between the Scrutiny Officer, PAASC Lead Members, and Chief Executive Elevate East London. This was a broad and productive meeting to discuss the Elevate Summit and the concerns raised from the initial stages of the review.

It was noted that the Elevate Summit – when the bulk of the review’s evidence gathering will take place - has been rescheduled to take place on 26 March 2013. It was AGREED that all councillors would be invited to attend.

It was noted that PAASC has a site visit – to Barking One Stop Shop – scheduled for 31 January 2013. Councillors Jamu, Saeed, and Alasia are due to attend.

The Committee was satisfied with progress to date.

65. Draft Work Programme & Date of Next Meeting

The Scrutiny Officer introduced the item.

The Independent Adviser requested that a report on the Oracle R12 project be added to the Work Programme due to its wide implications and potential impact. The Committee AGREED to this request and directed that it be added to the Work Programme.

The Committee noted the report.

66. Private Business

The Lead Member read the following statement:
“The public and press have a legal right to attend Council meetings such as the Public Accounts and Audit Select Committee, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). There is one such items at the time of preparing this agenda.”

The Committee AGREED to exclude the public and press for the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 1 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

67. Composite Audit Report - Appendix 8

The Group Manager Internal Audit introduced the item.

The report outlined key outcomes from Corporate Anti-Fraud Team Closed Cases.

The Committee noted the report.

The meeting closed at 20.46.