MINUTES OF
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 10 September 2014
(6:00 - 7:47 pm)

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

Also Present: Dr Ian Fifield;

Apologies: Cllr Eileen Keller;

1. Declaration of Members' Interests

There were no declarations of interest.

2. Minutes - To confirm as correct the minutes of the meeting held on 19 March 2014

The minutes of the meeting held on 19 March 2014 were confirmed as correct.

3. Introduction to PAASC and Work Programme 2014/15

(Cllr John White arrived at 18:03 for the commencement of the item. Cllr Rocky Gill arrived at 18:02 and Cllr Phil Waker arrived at 18:08)

The Group Manager Democratic Services introduced the report to Members which outlined the responsibilities and commitments of the Public Accounts and Audit Select Committee (PAASC) and set out the draft work programme for 2014/15.

Members had before them detailed information on the background of Overview and Scrutiny and PAASC. They also considered the purpose of PAASC, which was to provide independent assurance and to oversee and improve the Council’s:

- Governance and regulation;
- Assurance and risk management;
- Fraud and corruption prevention;
- Performance and compliance;
- Sound financial management which achieves value for money; and
- Transparency and open government.

With regard to the work programme, Members were provided with an overview and details of the considerations that Members’ should bear in mind when devising the PAASC work programme.

The work programme was attached to the report at Appendix A. It was noted that the document was subject to change and Members could add, subtract, and defer items as necessary meeting by meeting.
The Group Manager Democratic Services advised that there was additional capacity for a meeting to be held in January and Members confirmed they wished for this to go ahead for which a suitable date will be notified. Members also confirmed they wished for future meetings to be held at 18:00.

The Chief Finance Officer suggested two areas which the Committee may wish to consider for scrutiny:

- Review of Capital Programme – capacity/constraints of delivery
- ICT – ICT Strategy, Channel Shift.

Members agreed that the Committee should undertake a review of the Capital Programme however they felt ICT was too large of an area to undertake and suggested two smaller IT reviews, namely Oracle R12 and Capita Housing Management systems.

Members requested that officers report back to the next meeting with separate reports on both IT systems, providing an overview of project implementation, issues that have arisen and lessons learnt.

With regard to the Capita Housing Management IT specifically, Members asked that the report address the recent press headline that £1m had been written off by the Council, where instead it was actually bad debt. Members also asked officers to provide a comparison of the costs of introducing a new IT system to that of improving the current system to make it fit for purpose.

Members resolved to undertake a review of the Capital Programme (General Fund and HRA) at a later meeting in the year.

4. Final Statement of Accounts including the Annual Governance Statement

The Chief Finance Officer presented the report to Members. The Council’s draft Accounts were approved by the Chief Finance Officer in June 2014 and had been subjected to audit by the Council’s external auditors, KPMG.

Members had before them a detailed report explaining the background to the publication of the Statement of Accounts 2013/14 which were appended to the report, the detail of which contains four core accounting statements:

- The Movement in Reserves Statement – showing usable and unusable reserves;
- The Comprehensive Income and Expenditure Statement;
- The Balance Sheet – shows what the Council owns and owes;
- The Cash Flow Statement – shows how cash was generated or spent.

Each core statement contained a short summary to describe its purpose within the Statement of Accounts.

Members noted the papers before them and considered the value of reserves held by the Council to be prudential in the current financial climate. In response to a question, Members were advised about the flexibility of using those reserves held under the General Rate Fund as opposed to other “fixed” reserves such as those
held under the HRA.

Members raised questions with regard to the level of borrowing by the Council and were reassured by the Chief Finance Officer that the Councils’ position was sustainable.

Finally, Member questioned the valuation of assets and in particular the depreciation of the Council’s stock. It was agreed that the Chief Finance Officer would provide Members with a briefing note due to the complexity of the matter.

RESOLVED to approve the Statement of Accounts for the year ended 31 March 2014 for publication by 30 September 2014.

5. ISA 2560 External Audit report 2013/14

The Councils external auditors, KPMG, presented to Members the ‘Report to those charged with governance (ISA 260) 2013/14.

The above report presented by KPMG the Council’s external auditors highlighted the key findings from the audit work at the Council in relation to the Council’s 2013/14 financial statements and the Pension Fund. It also summarised the work to support external audits 2013/14 conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources

Members’ attention was drawn to headlines from the report, which confirmed that it was anticipated an unqualified opinion would be issued on the Council’s financial statements by 30 September 2014.

Members noted that the audit went smoothly this year with good quality papers and responses from the officers involved.

Members were advised that a couple of questions had been received from local electors. This meant the accounts could not be certified for this year as yet and were still open. Members noted that this was not uncommon for a London Borough.

Members asked questions regarding recharges and ICT policies, however the auditor present advised that these had not raised any concerns and therefore had not been reported on and that in his professional opinion that the audit showed that he Council was in a far stronger financial position than many other Councils’ around the Country.

RESOLVED to note the report.

6. Composite Internal Audit and Anti Fraud Report - 2013/14

The Group Manager Internal Audit & Corporate Anti Fraud presented a detailed report concerning all aspects of audit assurance and anti-fraud work undertaken in the 2013/14 financial year.

The annual report included an opinion on the internal control environment, which supported the review of effectiveness of the Council’s governance as reported in the Annual Governance Statement.
Appended to the report were details on the progress of the Internal Audit Plan 2013/14 and outcomes from internal audit and fraud work.

Members were advised by the Group Manager that overall reasonable assurance could be given on the internal control environment, however they should note this was based on a relatively small work programme and therefore members should continue to look to other sources of assurance to satisfy themselves as to the wider adequacy of the council’s governance, risk management and internal control systems.

Members noted that a bid for funding had been made for a Fraud Intelligence Hub with other London Councils. The outcome of the bid would be available in late October and this would be reported to Members.

Following questions, updates were provided to Members on housing fraud and Council Tax fraud. In particular, Members noted that the ongoing National Fraud Initiative had helped the Council to identify and remove potentially fraudulent single person discounts.

**RESOLVED** to note the report.

7. **Housing Benefit Performance Indicators**

Members were advised that this was an outstanding query within the Internal Audit review in 2013/14 referred to under the previous item, which lead to an overall assessment from IA of limited assurance for the service.

The Chief Finance Officer presented the report which outlined the background to the setting of the performance indicators for the benefits service delivered on behalf of the Council by Elevate East London.

Members noted the performance figures contained within the report and were advised that the figures were based on averages and therefore could fluctuate during the year.

Finally Members noted the complexity of some claims which could result in claimants returning to submit additional information rather than the claim being dealt with in one visit.

**RESOLVED** to note the report.

8. **Date of Next Meeting**

29 October 2014
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