

Corporate Committee 28 September 2017

Report title: Public Inspection 2016/17

Wards: All

Portfolio: Cabinet Member for Corporate Resources: Councillor Imogen Walker

Report Authorised by: Jackie Belton: Strategic Director for Corporate

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Report summary

This report provides information on the statutory Public Inspection process which runs concurrent to the external audit of accounts each year over the months of July and August. The Council has received a significant volume of queries under Public Inspection and details of queries received and responses provided are detailed within this report. This report also provides information on objections raised directly to the external auditor by members of the public and the process for responding to these objections.

Finance summary

None.

Recommendations

1. Note the process followed in responding to Public Inspection Queries.
2. Note the Queries raised and the responses provided.
3. Agree for a quarterly update to Corporate Committee on the progress of any objections raised to the external auditor.

1. **Context**

1.1 Under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the Council has to allow the Local Government electors for the area to inspect its accounts for the year together with any associated information.

1.2 The specific wording in the Local Audit and Accountability Act states in section 26:

Inspection of documents etc (1) At each audit of accounts under this Act, other than an audit of accounts of a health service body, any persons interested may—

(a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, and

(b) make copies of all or any part of those records or documents.

At the request of a local government elector for any area to which the accounts relate, the local auditor must give the elector, or any representative of the elector, an opportunity to question the auditor about the accounting records

1.3 Section 'a' above is wide ranging in enabling individuals to request records under this Act and the wording is unchanged from the Audit Commission Act 1998. The Act in section 26(4) specifically states that the right to inspect documentation does not apply to data which is commercially confidential information and in section 26(6) the right to inspect does not apply to any information concerning personal data.

1.4 The Accounts and Audit Regulations state that the Public Inspection period must be a continuous 30 working day period which must include the first 10 days of July. Accordingly the period runs during the summer in parallel with the external audit of the accounts. The period also has to be advertised on the Council's website with certain specific information to be included in the advert.

1.5 Under the Act the electors have the opportunity to object directly to the external auditor. This can only be made in areas where the auditor could make a public interest report or where the auditor would declare something unlawful. The Public Inspection advert should outline the date for objections to be made, the contact details of the external auditor and the legislation specifies timescales for appeals against the external auditor's responses. The Council published its advert in June 2017.

1.6 There is a small group of electors in Lambeth who make significant use of Public Inspection and the Council receives a high volume of queries compared to neighbouring Authorities. Most of the electors who asked queries in 2015/16 asked queries again in 2016/17 and some raised Freedom of Information Requests during the year. During the public inspection period some of these individuals wrote a number of times to senior officers in the Council, the Leader, councillors and local MPs, the National Audit Office, media outlets and the Mayor of London. Council staff were responding to the high volume public inspection queries and queries from other sources that the same electors had directed their questions to, at the same time as dealing with queries from the external audit of accounts, which has its own statutory deadlines for responses. Accordingly this in an area which generates workload and cost for the Council.

The Legislation for Public Inspection

1.7 The wording of the legislation enabling members of the public to inspect the '*books, deeds, contracts, bills, vouchers, receipts...*' is unchanged from the Audit Commission Act 1998 and conjures up an image of an organisation with filing cabinets full of paper holding this information and is not in line

with a modern paperless office environment. This can create an unrealistic expectation with electors regarding what inspecting the documents actually means.

- 1.8 In practice records are held on a financial system and items, such as invoices, need to be retrieved individually by an officer trained on retrieving data from that particular system. The Council’s main financial system is Oracle. Housing records are held on a separate system called Northgate and care placement information is held on Mosaic. Contracts are held on a separate contract register software.
- 1.9 Data retrieved from the system usually contains sensitive information. For example invoices often have contact names, housing records usually contain addresses, care data can contain names of clients and contracts contain signatures, pricing or favourable terms that are commercially sensitive. The data therefore has to be analysed and redacted where necessary before being available for inspection.
- 1.10 A number of queries contained requests that would have taken an unrealistic level of resource to respond to. Council officers tried to make judgements in this regard taking guidance from the separate Freedom of Information (FOI) legislation which has an 18 hour officer time limit and does not require responses to vexatious or repeated queries. Where questions were directed to service areas, it was not always possible to keep officer time down to this limit. The Council also did not provide information for queries which were not related to finance or the Statement of Accounts as these needed to be resubmitted via FOI for the Council to track and record under that particular process.
- 1.11 In August 2017 the Director of Finance wrote to the National Audit Office outlining the volume of queries it had received, at the same time as managing the audit of accounts, and the view that the legislation governing Public Inspection did not provide the same structure and guidance as the more recent Freedom of Information legislation and a review of this was required for the benefit of both Council officers and the electorate.

2015/16 Public Inspection

- 1.12 In 2015/16 the Council received queries from 12 electors with each asking multiple queries. Queries were handled personally by the Assistant Director Corporate Finance, who continued correspondence throughout July 2016 with the electors and liaised with colleagues internally to obtain responses to queries where possible. A number of the electors exercised their right to inspect the accounts in person and the Assistant Director Corporate Finance met the electors concerned in early August 2016 to provide them with what had been collated. Overall the Council spent 237 hours of officer time responding to these queries at a cost of £11,778. The volume of queries was a significant increase on any previous financial year.
- 1.13 A summary of queries received in 2015/16 are included below:

Table 1: Summary of Audit Queries 2015/16

Query No	Subject matter	Assessment as to how much the response covered	Officer Hours
1	List of 360 invoices, associated contracts, purchase orders and variations, back up calculations, contract monitoring reports; Properties disposed of in connection with the YNTH Project, valuations, tenders and contracts, Invoices and back up	. Commercially confidential documents withheld; after that consideration a reasonably extensive engagement (including showing some documents at desktop in person)	24

	calculations. Sale of land on China Walk Estate.		
2	<i>Invoices</i> paid to Mears Ltd and OCO Ltd for qualifying works to Wyvil Estate. Inspect <i>related documents, contracts, purchase orders contract monitoring reports</i> .	In these types of contract, essentially the contractor is paid on an interim basis (based on some estimation of work to date), and it was only these payments that fell in 2015/16. The "final account" had not been settled at that stage, and this is the invoice which is the "trueing up" of the position. <i>However, extensive draft positions had been shared as part of the response to the previous FOI.</i>	7
3	Housing Revenue Account; Lambeth Housing Standard; Regeneration; Home buy-buy; Balance Sheet, Asset register and asset valuations; Transfers; Lambeth Living; New Homes Bonus; detailed backing information for 2044 Specific Invoices; Indicators.	Extensive engagement - about 5-6 hours at desktop on the day plus in excess of 15 hrs preparation and dialogue. Query responded to in full.	21
4	<i>Payments and receipts</i> from Transport for London and Transport Trading Limited. <i>Payments to and receipts</i> from Lambeth Living Ltd. <i>Numbers of and amounts paid to staff, by cost centre for all cost centres, and affirmation from all cost centre managers that correct.</i>	Query responded to and 28 hours of officer time required to support request.	28
5	<i>Invoices with any backup documents</i> for City Suburban Tree Surgeons. <i>Contract and any variations, purchase orders and any variations, contract monitoring reports</i> . Specific query regarding 7 trees at Central Hill Estate. (Sparked by previous FOI response saying it cost £50,000 to cut 7 trees. It turned out to be erroneous, as the £50,000 covered dozens of trees.)	Totally responded to and 28 hours of officer time to support request.	28
6	Libraries. <i>Contracts, purchase orders, invoices, payments & receipts</i> relating to: guardians at West Norwood/Nettleford, Picturehouse Cinemas, Library catalogue system, works to Carnegie Libraries basement and roof, Security Services and CCTV opposite Carnegie Library, internal wall at Minet library, plus a number of specified service providers.	All queries relevant to 2015/16 Public Inspection responded to.	6
7	Springfield Community Centre, <i>payments and contracts</i> . Stewarts Road Adventure Playground. Young Lambeth Co-op. <i>Budgets and accounts</i> for adventure playgrounds. <i>Inspections and reports</i> re: adventure playgrounds.	Query responded to with personal data (names of children) redacted and required 24 hours of officer time.	24

8	<i>POs, invoices, contracts and reports</i> by Council on Contracted Services with BNP Paribas Real Estate, Douglas Edwards QC, South Bank Employers Group, Coin Street Community Builder, Canary Wharf Group, The Campaign Company, Pellings LLP, Enter Here LLP and Western Gazette. <i>Staff Pay and exit packages</i> for staff, <i>job descriptions, appraisals performance targets, contracts and agreements for three named individuals.</i> Receipts, breakdown of all <i>fees, charges and other income received.</i> <i>Payments to Canary Wharf Group, Braeburn Estates or Shell International Petroleum in 2014/15.</i> <i>Forecast of non-right-to-buy receipts.</i> <i>Developer contribution to capital grants received in advance.</i> S106 receipts and disbursements over 2014/15.	All requests for years 2015/16 responded to.	28
9	Olive Morris House transfer.	Data requested was commercially confidential in substance.	
10	Matrix contract extension.	Matrix – responded to query in full.	21
11	Westbury Homes and Community.	Finance queries responded to in full.	25
12	Repairs and maintenance on Cressingham Gardens Estate. All Payments, invoices and details relating to Northgate Housing System.	Fully responded to excluding personal data and confidential schedules of rates.	10
		General Time Spent on queries non Specific to an elector.	15

1.14 Some of the queries raised could not be responded to due to the resources it would take to respond to the query and commercial confidentiality. Only queries relating to 2015/16 financial information were responded to. Five of the individuals chose to object to the external auditor by the deadline of 12 August 2016.

1.15 The auditors (KPMG) have since been responding to queries from the individuals who have continued to raise appeals against the audit letters. The auditors have not upheld any of the items raised to them and having considered the objections, signed off the 2015/16 accounts figures by 30 September 2016 as presenting a true and fair view of the Authority's finances, with an unqualified audit report.

1.16 At the time of writing this report the auditor is shortly to issue a final response to 2 electors related to the 2015/16 accounts and has a couple more points to complete work on relating to a 3rd elector. The correspondence is confidential between the auditor and the elector and the Council does not have sight of this until a final response is issued. Each letter from the auditor has to be signed off by Public Sector Audit Appointments (PSAA). The auditors have not raised any issues for the Council to note arising from the objections and it is not expected any of the objections will be upheld. The extra cost for the auditors in dealing with the objections is recharged to the Council and it is estimated this will be circa £30,000 for 2015/16.

Lambeth People's Audit 2015/16

1.17 A group of electors who asked queries during the 2015/16 Public Inspection of accounts and raised subsequent objections to the auditors, none of which have been upheld, published a report in July

2017. The report made a number of allegations of “extensive financial mismanagement” at the Council. The Council denied the allegations and issued a response which was published on the Council’s website:

<http://love.lambeth.gov.uk/wp-content/uploads/2017/08/Peoples-Audit-response.pdf>

2016/17 Public Inspection Process and Queries

- 1.18 For 2016/17 the Public Inspection period ran from the start of July to 11 August. Queries were received from 17 electors asking a total of 172 questions. At the time of writing this report officers have logged 302 hours of officer time responding to these, at a cost of £12,176. 9 of the electors who asked queries also asked queries as part of the 2015/16 Public Inspection.
- 1.19 In preparation for the public inspection period the Council published a Public Inspection Protocol on its website, enclosed at appendix A, and setup a Public Inspection mailbox to handle queries which was checked on a daily basis whilst the period was ongoing. Two accountants were tasked with collating information and responses to queries, liaising with services to obtain responses and following up where required. The group manager for Financial Standards and Reporting liaised directly with the electors and the process overall was managed by the Assistant Director Corporate Resources. This setup has enabled the Council to handle queries with greater focus and efficiency.
- 1.20 Although there were a range of queries, from reviewing queries over the two years there are themes relating to regeneration estates and libraries and the volume of queries and associated workload have arisen from the same group of electors and their queries.
- 1.21 The table below summarises the queries received during the period:

Table 2: Summary of Public Inspection Queries Received in 2016/17

Query No	Subject Matter	Assessment as to how much the response covered	Officer Hours
1	This individual also asked a query during the 2015/16 Public Inspection period. a) Sample of 200 items requesting invoices and contracts for each – relating mostly to spend on consultants taken from Council’s website b) Sample of a handful of Purchasing card transactions – mostly relating to catering items c) Queries on Cowley and Roupell Park TMOs requesting details of a sample of items, budget monitoring reports and accounts.	Individual was asked to sample to reduce the scope of query as 33 items covered over 90% of the value of what was being asked and would allow query to be dealt with in full without exceeding officer time limits. Individual responded in the negative. Majority of query ultimately responded to. Not all contracts retrieved due to officer time already spent on query and the time limit being reached. Individual raised audit objection relating to Your New Town Hall costs. Responded in full.	33
2	This individual also asked a query during the 2015/16 Public Inspection period. 10 detailed queries relating to Myatts Field PFI including payments made to the contractor, costs to the Council in monitoring the contract, amount of arrears for rents and service charges, financing of the PFI details,	Responded in Full.	15

	how the transactions are accounted for in the financial statements. This individual has since objected to the external auditor.		
3	This individual also asked a query during the 2015/16 Public Inspection period. Budgets for each adventure playground, contracts between Council and each adventure playground and H&S reports.	Responded in Full to areas which related to 1617 accounts figures.	13
4	Request for invoices relating to street lighting, street sweeping and cash collection. Individual responded positively to a request to sample items and chose 30 transactions with contracts.	Responded in Full.	12
5	This individual also asked a query during the 2015/16 Public Inspection period. 10 questions each with separate parts. Overall a large query requesting Invoices with Greenwich Leisure Limited (GLL), enquiring about discounts, the surplus maintenance fund, audits of the contract by the Council and details of this, information on any best value benchmarking by the Council, details of any architectural and site security costs incurred at Carnegie and Herne Hill libraries.	Responded in Full to areas which related to 1617 accounts figures.	9
6	Task orders and planned maintenance on the Wyvil Estate. Contractor invoices relating to this and details and invoices for all payments to Mears, OCO, Frankhams and Pinnacle.	Responded in Full.	19
7	This individual also asked a query during the 2015/16 Public Inspection period. Advised he is a member of a Cressingham Gardens TMO being setup and thus wants unredacted information from the Council on all repairs data, all stock condition data, all invoices for repairs, all data for technical services.	TMO queries to go through separate route. Individual separated TMO queries from accounts queries and accounts queries were responded to in full.	11
8	This individual also asked a query during the 2015/16 Public Inspection period. Details on all expenditure to date on demolition of Council estates and a response to the Lambeth People's Audit. Second Query received (25/07/17) - all money spent on the process to date leading towards the demolition Westbury estate including the costs spent on buying back homes or addresses on the estate . Third query received (08/08/17) - all money spent leading to all demolition on all Council estates for discussion at meeting. Individual sent queries to Leader of Council, local MPs, the National Audit Office and the Mayor of London. Individual visited on site 17/08/17 and was met by Finance team.	Met with individual to answer queries. All questions addressed after the meeting were responded in full.	23

9	<p>This individual also asked a query during the 2015/16 Public Inspection period. 27 different queries of significant length. In summary, breakdowns of earmarked reserves for GF and HRA, List of all properties bought, sold, spend on (including list of suppliers used, invoices etc), changed category, valuation methods for vacant homes, various questions regarding temporary accommodation suppliers and spend in this area including all supporting information, query regarding use of the VPRS provision, queries on use of Airey Miller, full details on all spend on Cressingham, on all work done by the regeneration team including works orders, POs, contracts etc.</p>	<p>Responded to in full excluding areas that did not relate to accounts or had been responded to via FOIs.</p>	43
10	<p>This individual also asked a query during the 2015/16 Public Inspection period. Details of expenses claimed Requested. Invoices for fire safety check works carried out at: St Matthew's estate community hall; the Boiler House, Central Hill estate; Cressingham Gardens Rotunda community hall; Cotton Gardens Tenants hall; Gordon Grove Adventure Playground; Dexter Adventure Playground, together with corresponding Purchase Orders and copies of Fire Safety Certificates. Full details, POs, invoices, works orders in relation to the regeneration project on Electric Avenue.</p>	<p>Personal data not supplied. Electric Avenue queries responded to. Fire Safety works query to be responded to by service area. Individual has lodged an audit objection relating to Members expenses.</p>	11
11	<p>Please provide the invoices for all fire safety inspection works carried out on the Central Hill Estate together with corresponding Purchase Orders and copies of Fire Safety Certificates (in order to demonstrate 3 way matching). Task orders for all reactive and planned maintenance on the Central Hill estate during the financial year 2016/2017. Contractor's invoices for the above works together with detailed back up to demonstrate how the costs are derived.</p>	<p>Fire Safety query with service to respond to. Remainder of query responded in full.</p>	5
12	<p>I note that the draft accounts state "Senior officers for schools are not included in the table in the draft unaudited accounts". Please provide names and salary details of all school staff whose salary is £150,000 or more. For schools within the Gypsy Hill federation, can you please also provide details on a school by school basis the number of employees whose remuneration was at least £50,000, in brackets of £5,000. I note from the HRA account that there is a significant increase this year in the amount of money allocated for democratic and core costs. I would be grateful for the council paper produced which justified this increase.</p>	<p>Queries responded to in full.</p>	3

13	40 separate queries covering a range of topics including: Invoices relating to Waterloo Library and Oasis site. Cost of running Upper Norwood Joint Library including payment to the Upper Norwood Library Trust. Total costs with breakdowns of running Durning & Tate South Lambeth, costs and invoices relating to West Norwood. Cost and Invoices relating to Minet. A significant list of queries relating to Carnegie. Itemised summary of payments made from £500,000 specifically allocated in original Culture2020 January 2015 consultation booklet (page 10) from "renegotiation of the leisure contract" to be used for "[ill-health] prevention activity, through cultural activities and services to tackle the impact of ill-health".	Responded in full to requests related to the 2016-2017 Statement of Accounts.	19
14	This individual also asked a query during the 2015/16 Public Inspection period. Inspect and take copies of; 1. Lambeth's Register of contracts 2. The underpinning data supporting table 35 Housing Stock 3. The underpinning data supporting the council dwelling element of table 36 HRA Assets 4. The Registers of s106 and CIL monies. Individual flagged issues with financial information published on website and London Contract Register data not being consistent and as up to date as the Council's contract register.	Query responded to in full.	6
15	20 Separate queries covering details of the PFI contracts, Governance Arrangements, financial models, performance reports, Fire Safety checks income related to PFIs and all council income and Audit Information on PFI agreements.	Responded in full.	26
16	6 queries related to the pension fund including details on investment and queries relating to climate change related investment.	Response in full provided for elements that were Statement of Accounts related.	2
17	Query requesting all relating documentation to all insurance policies.	Responded in full.	9
		General time spent not logged against specific individuals.	43

2016/17 Audit Objections

1.22 5 individuals have raised objections to the accounts with the auditors for 2016/17. 4 of the individuals raised queries during the 2015/16 public inspection period and 3 of them raised objections in 2015/16 as well. The objections cover a wide range of subjects including expenditure on the New Town Hall, Teachers Pay, Members expenses and payments to Transport for London. At the time of writing this report the Council finance team have had an initial discussion with external audit over the subject matter of the objections and do not believe they have any merit and none of these have impacted the auditors signing off the 2016/17 accounts with an unqualified opinion, confirming the figures are true and fair.

2. Proposal and Reasons

- 2.1 The Council has dedicated a large amount of officer time to supporting the public inspection process over 2015/16 and 2016/17, a six week period which runs concurrent to one of the finance team's busiest times during the audit of accounts. Extra officer time has been spent during the year supporting auditors with dealing with the objections raised regarding the accounts and supporting a response to the 2015/16 Lambeth People's Audit which was released during the Public Inspection Period.
- 2.2 Over the two years the Council has been able to respond to most queries raised and has invested significant resources supporting this process. Judgement had to be exercised where queries would require an excessive level of work or where queries came through Public Inspection that were not finance related. Judgement was also used when assessing what could and could not be disclosed relating to commercial confidentiality or due to protection of personal data.
- 2.3 The process ran smoother and more efficiently in 2016/17 than in 2015/16 as the council learnt from the volume of queries received in the prior year. Officers will review the 2016/17 process for any learning points to improve the process going forward.
- 2.4 A disproportional amount of time is spent in responding to a specific few individuals who raise queries via FOI, then similar queries via public inspection, objecting to the auditor and then publicising allegations via multiple outlets including writing to MPs and Members. The Council has refuted all allegations of mismanagement, the auditors have not upheld a single objection and the two years accounts have been signed off without any qualifications. The Council is unique in the volume of queries it has received and will continue to review its approach to these queries and will also take forward discussion with Central Government regarding reviewing legislation in this regard to clarify the process for officers and residents.
- 2.5 It is proposed to update Corporate Committee quarterly on the objections raised with the external auditors and to have this as a regular item on the agenda.

3. Finance

- 3.1 Financial implications are detailed within the main body of this report.

4. Legal and Democracy

- 4.1 The Local Audit and Accountability Act 2014 (the Act) governs the work of auditors appointed to authorities and other local public bodies. The Act the Accounts and Audit Regulations 2015 and the Local Audit (Public Access to Documents) Act 2017 also cover the duties, responsibilities and rights of local authorities, other organisations and the public concerning the accounts being audited.
- 4.2 There were no further comments from Democratic Services.

5. Consultation and co-production

- 5.1 None

6. Risk management

- 6.1 None

7. Equalities impact assessment

7.1 None

8. Community safety

8.1 None

9. Organisational implications

9.1 None

10. Timetable for implementation

10.1 None

Audit Trail				
Consultation				
Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Imogen Walker	Deputy Leader (Finance and Resources)	11.09.17	15.09.17	
Jackie Belton	Strategic Director for Corporate Resources	08.09.17	08.09.17	
Christina Thompson	Corporate Resources	18.08.17	06.09.17	
Andrew Pavlou, Legal Services	Corporate Resources	18.09.17	19.09.17	
David Rose, Democratic Services	Corporate Resources	08.09.17	08.09.17	

Report History	
Original discussion with Cabinet Member	N/A
Report deadline	15.09.17
Date final report sent	20.09.17
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	N/A
Appendices	N/A