

**PERFORMANCE SELECT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 29 APRIL 2008**

Present:- Councillor H S Rolfe – Chairman.  
Councillors S Barker, A J Ketteridge, J Salmon and  
P A Wilcock.

Also in attendance:- Councillor R M Lemon.

Officers in attendance:- S Bronson (Audit Manager ), Alaine Clarke (Head  
of Partnership and Performance), John Mitchell (Interim Chief  
Executive), Rebecca Procter (Democratic Services Officer), and  
A Webb (Interim Director of Central Services).

Also present:- P King (District Auditor), Audit Commission.

PS62

**APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors M L Foley and T P  
Knight.

There were no declarations of interest.

PS63

**MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of 5 February 2008 were received, confirmed and  
signed by the Chairman as a correct record.

PS64

**BUSINESS ARISING/ACTION LIST UPDATE**

The Committee received the list of committee actions.

**(a) PS20 – Appraisals and understanding of risk management**

In reply to a question from the Chairman, the Interim Chief Executive said that  
HR Partnership officers were undertaking a review of the appraisals system.  
An update in Covalent would be provided at the next meeting. In reply to a  
question from Councillor Wilcock, he accepted that whilst the previous  
appraisals system was complex, the reasons for targets in this area not being  
met were due to a combination of factors.

**(b) PS45 – Internal control risk register**

The Chairman asked officers to provide a pictorial map showing the structure  
of the risk register, the assurances framework and the statement of internal  
control. This would be preferable to looking at each aspect in isolation. The  
Audit Manager said that officers would be addressing internal control next  
week, and that approval of this work would be sought at the next meeting of  
this Committee, and thereafter at Finance and Administration Committee.

**(c) PS57 – Emergency plans**

The Audit Manager said that the new Emergency Planning Officer would continue the work commenced by Jason Dear.

**(d) PS59 – Audit Commission report on housing**

Councillor Barker was concerned to avoid the possibility of duplication of effort, in that this matter would also be examined closely by the Housing Initiative Task Group. The Interim Chief Executive said that officers had received and were considering the final report. He referred to the fact that the inspection had taken place during the same week the former Chief Executive resigned, when staff had also been undergoing the redundancy process. Following strong representations, the rating had been upgraded to “fair” for service. As the press embargo would be lifted on 8 May, officers would circulate the report and commentary to Members before then. The Interim Chief Executive advised that Committee consideration of the report would be a two-stage procedure, as it would be considered first by Community Committee and then by this Committee. Councillor Barker agreed that this was the proper procedure.

PS65

**MECHANISMS FOR INTERNAL AUDIT**

Members considered the report presented by the District Auditor. There were a variety of arrangements in place across the county. The solution for a particular authority would depend on what was most appropriate for local needs, and no single type of arrangement was inherently better than another. In reply to a question from Councillor Wilcock, the District Auditor said that there was no correlation between the size of a local authority and whether or not internal audit mechanisms were outsourced, nor was there a correlation with effectiveness.

The Chairman said that this was a helpful report. He asked officers to explore possible opportunities for shared services partnerships for internal audit mechanisms. It would be helpful to have a summary from the District Auditor regarding the terms of the contract for governance for appointments for both internal and external audit, including details of arrangements to be put in place at the end of that term.

RESOLVED that the report be noted.

PS66

**ANNUAL AUDIT AND INSPECTION LETTER**

Members considered the report presented by the District Auditor. He explained that whilst this document related to 2006/07, certain aspects covered work outside this period, such as the Direction of Travel report; the Local Area Agreement report; and the report on Health Inequalities in Essex.

The District Auditor drew the attention of the Committee to the fact that the Annual Audit and Inspection Letter contained recommendations under section 11 of the Audit Commission Act 1988, which in ordinary circumstances would not form part of this document. However, it had been decided to include the recommendations within a document which had to be produced as a matter of

course, rather than as a separate report. The statutory recommendations under section 11 were a formal reporting mechanism. It was not routine to issue such recommendations, but the District Auditor considered it appropriate to do so, in the circumstances. It was a statutory requirement that the recommendations be considered by Full Council, and a formal response issued within four months. The District Auditor concluded by accepting that the Council was already taking steps in respect of certain key recommendations.

The Interim Director of Central Services said that the Annual Audit and Inspection Letter did not make for easy reading but he accepted the comments made. He said that the proposed response would go before Full Council in July, in order for the four month deadline to be met.

Councillor Ketteridge said he had considered the recommendations in detail with the District Auditor and Chairman prior to this meeting. He said actions on the recommendations were well in hand in any event, and officers would compile a response to be submitted to Full Council. He therefore proposed acceptance of the report.

Councillor Wilcock referred to the term "Voluntary Improvement Board" which had been mentioned. He said he did not know of the existence of such a body, and sought clarification. The District Auditor said that a Voluntary Improvement Board was set up by agreement with authorities which were facing particular challenges, in order to provide a forum for other stakeholders to contribute an external perspective. It was not mandated as a formal monitoring board and was not intended to supplant any of the Council's own mechanisms.

Councillor Ketteridge said that the members of the Voluntary Improvement Board comprised the Interim Chief Executive, the Leader, Audit Commission, a neighbouring Chief Executive, Improvement East, IDE&A and Colin Rockall. The initiative arose from the Council's bid to Building Capacity East (now Improvement East).

The Interim Chief Executive said the group would meet later in the week to set terms of reference and work programmes. It was noted that mechanisms would be required for providing feedback from the Voluntary Improvement Board.

There was further discussion of certain aspects of the Annual Audit and Inspection Letter, in particular those regarding increased leisure activities, which the District Auditor said reflected the time at which this element of the report was written.

In reply to a question from the Chairman, the Interim Director of Central Services gave an update on staffing within the finance department. Approval had been obtained from the Finance and Administration Committee to fill the post of Chief Financial Officer. The intention was for the post to commence in September and the recruitment process was to start as soon as possible. The Acting Head of Finance would remain at Uttlesford until the end of December. The rest of the section was now at full complement, and although they did not have experience of year end accounts, all were working hard towards this

challenge. Approval had also been given for establishing two posts for principal accountants from within the team.

RESOLVED

That the Annual Audit and Inspection Letter be agreed.

PS67

### **AUDIT COMMISSION FEES**

Members considered the report submitted by the District Auditor, setting out proposed audit fees for 2006/07 of £19,150 net. The Chairman said that prior to the meeting he had scrutinised this figure with the Interim Director of Central Services. Councillor Barker said this figure was 18% over budget. She noted that Audit Commission assignments with other authorities in the region had also taken longer than estimated. Accordingly, she queried how unscheduled extra work for several organisations could have been managed. She also raised queries relating to the 2007/08 supplementary audit fee referred to in the report. In reply to this, and other questions, the District Auditor said that the work reflected the length of time taken to conclude the 2006/07 audit, which had effectively involved re-working the accounts. There was a knock-on effect on the 2007/08 audit, because the problems experienced in completing the 2006/07 audit affected the assessment of risk.

The Interim Director of Central Services said there had been much extra work in concluding the accounts for 2006/07. The Chairman thanked the District Auditor for his role in helping to secure a reduction in the initial fee. It was with reluctance that the fee should be agreed and the comments in the report noted.

RESOLVED

- (i) That Audit Commission net additional fees in respect of 2006/07 of £19,150 be agreed;
- (ii) That the Audit Commission present for approval a supplementary opinion audit plan at the next meeting of the Performance Select Committee;
- (iii) That the Audit Commission's intention to apply a supplementary fee arising from such additional risks be noted.

PS68

### **EXTERNAL AUDIT PROGRESS REPORT**

The Committee considered the report of the District Auditor. There was discussion of the survey which had been sent to Members, to provide a snapshot of opinion. A follow-up survey would be distributed in about eight months' time, as an indicator of progress. In reply to the Chairman, the District Auditor agreed that feedback on the results of both surveys should be provided to Members at the earliest opportunity. Councillor Barker agreed that work should be done to adjust the timetable, as it was slightly premature.

The Head of Partnership and Performance queried the Best Value Performance Plan to be used, and the District Auditor said he would clarify this point for Members.

**INTERNAL AUDIT WORK PLAN 2008/09, REVISED AUDIT ASSURANCE OPTIONS AND FINAL REPORT FORMAT**

The Committee considered the report presented by the Audit Manager . She said that the recommendations made in the report had been approved by SMB. Members then considered the detailed schedule set out. Procurement was highlighted as an area where performance could be improved. The Chairman was concerned that an in-depth study of this area was beyond the present capacity of the Council. The Interim Chief Executive agreed that a high-level study would be valuable, but that, whilst not a substitute for a full study, an initial report could provide a useful starting point. Councillor Ketteridge was concerned there should be greater clarity in measuring value for money in terms of procurement.

The Chairman said that any move away from aggregated procurement would be fundamentally wrong, and that if this organisation was more effective in procurement, huge savings could be made.

Councillor Barker referred to the five year cyclical plan, and questioned the timing and number of days allocated to auditing certain areas. Councillor Wilcock said that enforcement was a relatively high risk, and should be given priority in the plan this year rather than in 2009/10. Officers explained that the plan was in draft form, and would be modified to accommodate Members' suggestions.

Councillor Barker was concerned that grant claims should be included in the Audit Plan, as an audit by external auditors would incur a fee of £56K. Officers replied that the reason for this was officers' lack of experience and expertise in this field, which had not historically been part of the internal audit remit. The District Auditor said that such a report would form a quite distinct piece of work. Whilst the Audit Commission's procedures in producing this report would be followed, there was potential to relax such procedures and accordingly make a potentially reduced claim.

Following brief discussion of the information contained in the report, officers confirmed that the five year plan would be circulated to Members, and that an additional column showing how often each area was audited would be inserted.

The Chairman said this was a helpful, focused document. The District Auditor said that inclusion of more corporate risk areas reflected the Council's risk profile, and that the plan was a step in the right direction in terms of audit.

Members then considered the revised reporting definitions set out in the report, and the options for the format of Final Reports.

RESOLVED that

- 1) the internal audit work plan be agreed, subject to the amendment to include information on previous audits against each audit area;
- 2) the revised audit assurance options and definitions be agreed;
- 3) Final Report format option 1 be agreed, subject to the amendment to include previous recommendations.

PS70

## **INTERNAL AUDIT REPORT: IT AUDIT**

The Interim Director of Central Services said that a re-structure of IT had taken place. Recommendations made in previous audits were being implemented. Recruitment to four vacant posts was being staggered to enable staff to manage this process. There had been an analysis of information management and security of data, in order to ensure no information was being taken out of the offices on hard drives.

The Chairman thanked officers for their report, which he said showed IT in a good light. He commented that for four or five meetings of this committee, it had been apparent from reports submitted that the Council was broadly well run. The Chairman asked both internal and external audit officers to consider whether a counter fraud officer would be of value.

### **RESOLVED**

That the IT internal audit report and management action plan be noted.

PS71

## **AUDIT AND FINANCE WORK PROGRAMMES 2008/09**

The Interim Director of Central Services presented a detailed report to Members. With reference to the budget monitoring and reporting timetable, it was planned that budget information would be sent to Members at the end of working day eight each month. He asked Members to determine the method of channelling questions and arranging for timely replies. He said that these were very tight timescales, and that it would be a case of trying out the system to see how it worked. He envisaged Performance Select Committee would receive any budgets classed as "red", that is, 10% or more out of profile.

Councillor Barker said it was important for any budget discrepancies to be accompanied by a good narrative, to avoid repetitive questioning.

Councillor Wilcock expressed concern that, whilst monthly reports were necessary, big picture reporting could be obscured. In reply, the Director of Central Services said the elements that had gone wrong were once-yearly aspects such as LABGI and the Planning Delivery Grant. He would prefer to send a direct e-mail to Members on these items. He proposed to monitor a key basket of indicator codes, particularly regarding expenditure. In reply to a question from the Chairman, he said that to provide a monthly total income and expenditure figure would require further consideration, but that a workshop was planned for May. Officers were trying to develop systems for profiling which had never been done before, which was a challenge. Councillor Lemon said that Members could benefit from more financial training.

The District Auditor said that he was encouraged by what he had heard. He agreed that it was important for Members to have an overall grasp of the Council's position, and that the information was readily understandable. Members would also need to be confident that what they were scrutinising was accurate. Members would benefit from this clear action plan, and the

Council was going forward into the year 2008/09 in a far better position than in 2006/07 and 2007/08.

Councillor Wilcock congratulated the Interim Director of Central Services on the proposed methodology, and said that one of the problems in the past had been that Members had lost confidence in how financial processes had been achieved.

In reply to a question from Councillor Barker, the Interim Director of Central Services said that the model for this action plan had been used by the Acting Head of Finance in many other authorities. Work towards closing this year's accounts was progressing with no critical areas significantly off target. The Chairman asked to be informed if any deadlines were missed.

#### RESOLVED

That the following methodology for financial reporting be agreed:

- 1) Reports to be sent to Members on the 8<sup>th</sup> working day of each month.
- 2) Members to direct questions to the Chairman of the relevant committee
- 3) The committee Chairman to then obtain answers to the questions and relay them to all Members

PS72

#### **ESTIMATED END OF YEAR (2007/08) PERFORMANCE DATA AND TARGET SETTING 2008/09**

Members considered the report submitted by the Performance Improvement Officer. Members reviewed estimated performance for 2007/08. The Chairman invited Members to identify items where the Committee required explanation from officers for missed targets. Outturn data were to be collected and presented to the meeting in June.

Members then considered indicators by which performance would be measured in future years. The Interim Chief Executive said that the Voluntary Improvement Board would also identify from the list a key set of indicators. The Chairman asked officers to liaise with the Board so that only one list of indicators was produced. The Head of Partnership and Performance said that national indicators could fall within either the corporate or the service set. A report setting out the chosen indicators would be brought before the next meeting.

#### RESOLVED that

- 1) Best Value Performance Indicators for which the Committee would require explanation where performance was 5% or more off target during 2007/08 to be BV8, BV212, BV199d, BV184a, BV184b, BV86, BV218a.
- 2) Best Value Performance Indicators by which performance would be measured in future years to comprise all corporate indicators, plus any service indicators that were 5% or more off target,

together with any national indicators that were 5% or more off target.

PS73

## **ESSEX LOCAL AREA AGREEMENT INDICATORS AND TARGETS**

The Committee considered the report submitted by the Head of Partnership and Performance. There was a statutory duty on the district council to agree LAA targets, and to indicate which priorities the council should sign up to. Whilst these would have implications for planning, resources and reporting, they were a combination of National and Local Indicators which the council was required to collect. Members could take a view on which indicators best reflected the district council's Sustainable Community Strategy.

The Chairman said this document set out the holistic picture of all levels of the LAA, and that much progress had been made in the last six months.

Councillor Barker questioned the baseline for targets, as it was important to set targets which reflected real figures for the district council, rather than those relevant to the county.

Members considered the priorities recommended by the Head of Partnership and Performance. Councillor Wilcock was concerned about the definition of an affordable housing target in view of cross-party opposition to eco-towns. The Chairman agreed with this point.

Regarding the LAA, Councillor Ketteridge said it was pleasing that some clarity had now come out of such a cumbersome process.

### **RESOLVED**

That the district council's Local Area Agreement priorities for 2010/2011 be LI 2.2 (affordable housing), LI 4.1 (access to services), LI 6.2 (feeling safe), and LI 10.1 (living landscapes).

PS73

## **OTHER URGENT BUSINESS**

Councillor Barker requested up to date information on Comprehensive Area Assessments. The District Auditor said he had been involved with Thurrock in developing a pilot for what the CAA would encompass. There was broad agreement with three other areas as to aims, but the devil was in the detail as it was difficult to make the proposals meaningful for very disparate areas. There would be further consultation in the summer. The District Auditor said he would bring a report before the Committee at a future meeting.

The meeting ended at 10.05 pm.