

**PERFORMANCE SELECT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 1 FEBRUARY 2011**

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

Officers  
in attendance: R Auty (Head of Performance and Communications),  
S Bronson (Audit Manager), M Donaldson (Interim  
Accountant), S Joyce (Assistant Chief Executive–  
Finance), J Mitchell (Chief Executive) and R Procter  
(Democratic Services Officer).

Also attending: Debbie Hanson (District Auditor) and Emma Patchett  
(Audit Manager) – Audit Commission.

**PS41 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors R M Lemon, T P Knight  
and R D Sherer.

**PS42 MINUTES**

The Minutes of the meeting held on 16 November 2010 were received, and  
subject to the following amendment, were signed as a correct record.

The final paragraph of Minute PS40 was amended to read '[Councillor  
Yarwood] questioned how sound governance could be achieved during both  
the election period and the Council's move to a cabinet system.'

**PS43 ACTION LIST/MATTERS ARISING**

The Committee considered the list of actions to be undertaken following the  
last meeting.

**Processing of Housing Benefit Claims** – Debbie Hanson said a report  
clarifying errors identified in processing of housing benefit claims had been  
prepared in draft and would be submitted to the next meeting.

**Health Inequalities** – Debbie Hansen said analysis was being carried out to  
check data supplied in the Audit Commission's Health Inequalities report, and  
would be brought before the Committee. However, the departure of the  
original author of the report made this a more difficult and time-consuming  
process than would otherwise be the case.

**Procurement** – the Chairman said he had arranged for meetings to take  
place between the Council's procurement manager with NHS colleagues  
regarding the government procurement card.

**Asset Management** – the Assistant Chief Executive-Finance said arrangements were progressing well. An asset management plan was currently going forward to Strategic Management Board (SMB) and work was nearly complete on the asset register. A report would be brought to the next meeting.

Councillor Barker asked how the Audit Commission could establish whether assets existed if they were not shown on a register. The Assistant Chief Executive-Finance said extensive work had been done with colleagues from Braintree District Council in order to research the existence of assets from various sources.

**Vacant Commercial Premises** – the Head of Performance and Communications said a report would be brought to the April meeting so as to permit a full year's data to be considered. The Chairman asked that numbers should be established of public houses and shops within the district which had fallen into disuse through being deliberately left to run down by the landowner.

**Revenue Collection and Housing Benefits Payments** – the Head of Customer Support and Revenue Services had circulated details of benchmark figures for other authorities on time taken and accuracy of processing claims. The Chairman noted there had been an improvement in the Council's performance.

**Member Allowances** – the Chief Executive-Finance said he would shortly be addressing this subject as part of changes to the financial regulations due to the move to cabinet.

**Performance Management Audit** – as requested by the Committee, reasons for the length of time taken to carry out this audit had been provided.

**Affordable Sport** – information had been supplied by the Community Partnerships Manager indicating swimming was not available on prescription.

PS44

## **2009/10 ANNUAL AUDIT LETTER**

Debbie Hanson presented the Audit Commission's annual audit letter summarising findings from the 2009/10 audit.

She drew attention to the following: the new International Financial Reporting Standards (IRFS) risk, for which the Council had secured extra resources; the 2010/11 changes to the value for money assessment, focusing on the financial resilience of the Council, the key to which would be strategic partnerships; and the best use of resources in the context of tighter budgets.

Councillor Barker asked a question about the likely timescale for the resolution of the Icelandic bank case and the impact on budgeting for the next financial year.

The Assistant Chief Executive-Finance said an estimate of losses the Council had incurred had been written off in relation to the current financial year.

Regarding the legal proceedings, an appeal was likely, therefore the outcome would probably be known only after several months. He explained that legal advice indicated the Council would have preferential creditor status, and recover 93% of its money.

Councillor Barker asked the external auditor whether she was in agreement with officers on the action taken. Debbie Hanson replied that LGA and CIPFA had issued advice which the Council had followed. Should there be any changes, the Audit Commission would discuss these with the Assistant Chief Executive-Finance before giving an opinion on whether adjustments to the accounts were needed.

Debbie Hanson said in conclusion that the 2009/10 annual audit letter was positive in terms of the unqualified opinion; that there had been discussion around the issue of asset management; and that recommendations had been set out in the action plan and accepted by the Council. She asked that the recommendations be monitored, and the Chairman asked that this action be included in the action plan.

Councillor Wilcock asked a question about the section of the report dealing with current and future challenges. He asked whether it was expected that the Council's spending would again be off budget by a similar amount to the underspend in 2009/10 of £1.8 million.

Debbie Hanson said the Audit Commission was satisfied the Council monitored its budgets, and that an underspend was of less concern than an overspend.

Councillor Yarwood asked that the Audit Commission give the Council the earliest possible indication if it became adrift in its implementation of the new IFRS challenge. Regarding audit fees he referred to reports of Audit Commission expenditure on new office furniture. He asked a question about breakdown of the Audit Commission's fees.

Debbie Hanson said media reports related to office chairs which had been purchased for the Commission's relocation to Leeds, in order to achieve savings in the longer term.

She gave an explanation of the way in which the Audit Commission broke down its fees. A scale fee was applied, taking into account geographical area, and the type and size of body being audited. The scale fee was intended to provide an indication of audit cost where a council had good quality papers. The local auditors then calculated their fee internally, based on grade and hours, and compared these with the scale fee.

She offered to provide Members with a more detailed breakdown. She said in terms of costs the fee covered, an element related to the direct cost of audit, and an element to the Audit Commission centrally, to cover costs of working groups, accounting development, and so on. All local auditors paid the same element of central costs, which were included in the daily rates.

The Committee noted the 2009/10 annual audit letter.

PS45

### **2009/10 AUDIT COMMISSION INTERIM REPORT**

Debbie Hanson presented the Audit Commission's 2009/10 interim report, which set out findings from the pre-statement audit. She said only one area had been highlighted, around the creditors' system, which in the view of the auditor was not operating correctly. She referred Members to six recommendations made in the report.

Councillor Barker asked about a recommendation in the report on the completion and retention of IT forms. Debbie Hanson explained such forms were used when arranging IT access for new staff.

The Assistant Chief Executive-Finance responded that only two new staff had joined the authority in the relevant year, and whilst the matter would have had more import in a larger authority, it was an extremely minor issue for this Council.

The Committee noted these points whilst accepting the recommendation.

The Chairman asked a question regarding a recommendation on purchase orders and delivery notes. The Assistant Chief Executive-Finance said he did not agree this recommendation was a high priority, as invoices were certified appropriately; only a small proportion of transactions used Marketplace; and there was adequate compensating control.

Debbie Hanson said ensuring invoices agreed with purchase orders and delivery notes was a basic check, which represented an important control.

The Chairman said whilst it was not the task of this Committee to judge, he would ask that an appropriate approach be found regarding the recommendation in light of these comments.

The Committee noted the recommendations in the Audit Commission's 2009/10 interim report together with the comments minuted.

PS46

### **AUDIT COMMISSION PROGRESS REPORT**

Emma Patchett presented a report summarising progress against the audit plans for 2009/10 and 2010/11 and highlighting progress since the previous Committee meeting on 16 November. She drew Members' attention to the completion of the 2009/10 audit and certain key emerging national issues and developments.

Councillor Barker asked about progress on the grant claim report. The Assistant Chief Executive-Finance said the report had been received only the previous day.

Emma Patchett said the report would be finalised for the next meeting.

The Chairman emphasised the need for timely reports in order to permit officers' responses to be made available by the relevant deadlines.

Councillor Barker said it was of concern to Members to receive reports such as that on grant claims at a sufficiently early point in the year in order to see what was going on.

Debbie Hanson accepted management had not yet had time to consider the report. She said qualifying letters were issued to service departments to make officers aware of issues, but that the specific template used for such reports was rather technical and required working up into a more 'user friendly' format in order to be helpful to the Committee. The grant claims report would be brought to the next meeting and should be available earlier next year.

PS47

## **2010/11 AUDIT PLAN**

Emma Patchett introduced a report setting out the work proposed for the audit of the financial statements and value for money conclusion for 2010/11. She referred Members to the explanation in the report relating to the fee for the audit which was £122,200.

The Chairman said Members had noted the fee was £2,000 less than last year's fee, and had over the years received explanations regarding variables which had to be taken into account. He questioned why the discount applied to the fee was not substantially greater, in view of the 14 per cent reduction in mean average fees for district councils.

Debbie Hanson said any applicable rebates were issued separately. She referred Members to the explanation of how fees were calculated which was given in the report.

The Assistant Chief Executive said he was satisfied with the approach proposed for the 2010/11 audit plan. Regarding two personnel changes to the external auditor's team the Assistant Chief Executive-Finance said he was content with assurances given by Debbie Hanson that prudent measures were in place for handover.

Regarding rebates on Audit Commission fees, the Assistant Chief Executive-Finance said he had received a credit note to be applied to the next invoice. In his view the figures could be more helpfully presented. He said a consultation currently taking place for a fee reduction of 5% across the board indicated a move in the right direction.

The Chairman said the Council had worked hard to reduce variables, and he asked as an action point that for the next meeting the Audit Commission provide figures showing fees aligned with rebates. Debbie Hanson agreed to produce a report, although she said one-off rebates were not set out in this way.

In response to a Member question, Debbie Hanson said the reasons for changes to the external audit team arose due to planned rotation and maternity leave.

The Chairman asked about the risk area identified in the report regarding staffing within the Council's financial team. The Assistant Chief Executive-Finance confirmed the team was now at full strength.

The Committee noted the 2010/11 audit plan.

PS48

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Committee considered the report of the Assistant Chief Executive-Finance updating members on the implications of and progress to date in preparing the 2010/11 Statement of Accounts under International Finance Reporting Standards (IFRS).

The Assistant Chief Executive-Finance said the IFRS represented an extreme technical challenge for the Council. He introduced Margaret Donaldson, the Interim Accountant, who would take Members through the report.

The Interim Accountant explained the requirement under IFRS to prepare three balance sheets, which she said represented a fundamental assessment of the Council's governance and which would need to be delivered robustly and on time. She highlighted the extent of the work the new process would involve and the constant issue of new guidance; and described the networking and training in which officers were engaged so as to ensure accounts were prepared correctly. She referred Members to the timetable of key deadlines set out in the appendix. A further report would be brought to the Committee meeting on 26 April and a briefing for Members would be arranged.

The Assistant Chief Executive-Finance said transitional statements would be available prior to the April meeting and that approval under the new governance arrangements would lie with the Performance and Audit Committee, the members of which would require training. A view would be taken in April regarding the extent of training to be undertaken for Members of the existing committee and it was likely more training would be arranged following the local government elections.

Councillor Barker asked whether finance staff were receiving adequate training, and asked for clarification of a new requirement that the accounts should include an audit trail regarding carried forward annual leave.

The Interim Accountant explained the Council had a policy that only in exceptional circumstances could staff take more than five days' leave. Accrued leave was approximately 1.5% of contractual pay and it was intended to agree with the Audit Commission a means of reviewing this figure which was not too time-consuming.

The Assistant Chief Executive-Finance said training of the entire finance team had taken place at an estimated cost of £31,000. He was confident that with

the appointment of the Interim Accountant the Council had the right expertise. The Chairman asked for an update on training at the next meeting. In reply to a question from Councillor Yarwood regarding whether SMB also received training in order to understand the accounts, the Assistant Chief Executive-Finance said he would take this responsibility on behalf of senior management.

Councillor Wilcock asked what was the cost of officer time in addition to training costs of £31,000. The Assistant Chief Executive-Finance said he estimated the costs of officer time to be approximately double that amount, and would bring a figure to the next meeting. Councillor Wilcock said it was important that the costs of this exercise were understood. The Chairman said such costs were frustrating but unavoidable.

Councillor Ketteridge said he recalled the Council going through a similar expenditure under the CPA. He said whilst he agreed with the Chairman's comments, it was both amazing and sad that authorities had to work so hard to make savings in the context of such costs.

PS49

## **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered the report of the Internal Audit Manager. The report gave an update on implemented and outstanding internal audit recommendations.

Councillor Yarwood asked in relation to the audit plan 2010/11 review, how confident officers were that it would be completed on time. The Internal Audit Manager said of the 27 Audits, the 26<sup>th</sup> had now been started; there were now 20 audits at draft report stage and 18 at final report stage. Work had already started on the remaining audits, and there were three which had been provisionally deferred to next year, of which two had also been started. She said she was fairly confident the team could meet the target of 90%.

The Chairman asked whether there were sufficient resources for collecting data on performance indicators.

The Head of Performance and Communications said officers from the different service areas were responsible for entering performance data, which was then monitored by a senior officer. Whilst resources were sufficient, the only issue was the verification stage. He had therefore introduced a system of back-up data entry and verification officers, and although there were only a small number of people to draw from he considered the issue was being addressed.

The Chairman asked as an action for the next meeting for the Committee to be assured the list of officers for data entry and verification was sufficient for the task. The Chairman concluded this was an encouraging report, which the Committee noted.

PS50

## **INTERNAL AUDIT WORK 2011/12**

The Committee received a report giving details of the proposed internal audit work areas for 2011/12. The Internal Audit Manager said in view of the anticipated changes throughout the forthcoming year, such as the abolition of the Audit Commission and revised auditing practices, a more flexible approach was advisable, and that a proposal had been put to SMB to depart from the previous practice of working to a static plan to change to a rolling programme.

Councillor Yarwood said it was important to be clear that this process would mean taking a risk-based approach to the audit cycle. He noted there was a new item of Diversity and Equality on the list, and queried whether this item required a footnote to explain its presence ahead of other items.

The Chairman asked that category 3 and 4 risks should also appear on the list, together with an indication of when they were last covered, so as to ensure transparency. Subject to these changes, the Committee approved a risk-based approach to internal audit as had been proposed.

In answer to a question from Councillor Wilcock, the Internal Audit Manager said following the retirement of one member of the internal audit team that the full-time post was to be replaced with a part-time appointment. Internal auditing would therefore have approximately 65 fewer audit days, but there should be no issue as officers were proposing measures to move from traditional auditing practices towards selected lean auditing methods, which should represent a more dynamic way of working.

Councillor Barker suggested a presentational change to the report to include auditing history, to which the Internal Audit Manager agreed.

Councillor Wilcock asked how the audit would relate to risks which had previously been assessed. The Internal Audit manager said if an item was a high risk when it had previously been audited, then it would continue to be considered a high risk.

The Chairman asked the external auditor for her views. Debbie Hanson said she was content with the approach being taken.

PS51

## **QUARTER 3 PERFORMANCE MANAGEMENT**

The Committee considered the report of the Business Improvement and Performance Officer, summarising quarter 3 performance information in areas of concern. In quarter 3, 31% of total performance indicators were red; 12% were amber and 57% green.

The Chairman said he suspected the percentage of red indicators was the highest it had been for some time. He asked for the previous quarter's information to be shown on the report so as to set the current quarter's performance in context.

Members questioned officers regarding the selection of information shown in the report.

The Head of Performance and Communications replied that the format of this report was in line with what had been requested at the previous meeting, during which members had praised the format. He explained that narrative detail was given for indicators on red, and that the appendix gave details of all indicators irrespective of status. Service indicators had been excluded, as these were a tool for managers, and therefore the indicators Members were presented with were those which officers felt would be beneficial for Members to see.

The Chairman said he did not recall Members stating that they would not wish to see service indicators.

Councillor Yarwood said he could not recall whether Members had only requested background details for those indicators which were red for two quarters. However, he felt members had wanted a quarterly analysis, and that the running order of the report did not help with clarity.

The Chairman said the Committee would get used to the new running order and the only item lacking was a list of red service indicators.

The Chief Executive said the Council had approved the corporate plan indicators and the Committee had asked not to see the service indicators which SMB used to judge the corporate plan. Members had previously given different instructions to officers on the format they required for this report. Officers needed the Committee's requirements to be clearly expressed.

The Chairman said he took this point, but felt there needed to be wider transparency for service indicators. The Chief Executive said officers were in Members' hands on service indicators.

Councillor Yarwood said he felt officers were right in that they had tried to produce the report in accordance with Committee's directions. He did not wish to put officers to extra work and suggested Members come back through the Chairman if more detail was required.

The Head of Performance and Communications said officers would bring to Committee whatever information they wished.

The Chairman referred to the two service indicators which had been red for two quarters, and asked whether the remaining 18 S.I.s had appeared as red for the first time. He suggested as an action point that it be checked whether other service indicators which only became red for one quarter were being followed up by the executive, and that the Committee leave it to the discretion of SMB whether such service indicators needed to be brought to its attention.

The Committee agreed that the current report format should be continued.

The Chairman asked as an action point if it could be confirmed whether completion of appraisals was a service indicator.

Councillor Barker said the denominator for SI 104 (CI 22) (planning appeals allowed) seemed low. Officers agreed to check this point.

Councillor Wilcock noted the above indicator had not been green status for two quarters. The Head of Performance and Communications said SMB considered the change in performance was sufficiently serious for this indicator to be brought before the Committee.

The Chairman referred to the indicator regarding payment of supplier invoices, and asked whether payment by card would make a difference. The Assistant Chief Executive-Finance confirmed that it would be an improvement.

PS52

### **QUARTER 3 CORPORATE RISK REGISTER**

The Chief Executive presented a report on the Council's Corporate Risk Register for quarter 3.

The Chairman said some risks were of a type which could remain red forever.

Councillor Yarwood said new risks could arise, for example the IFRS, and the main task was deciding how to manage those risks. He asked about risks with amber or green status.

The Chief Executive suggested that at the end of the year officers present the Committee with all risks, but that during the year they be dealt with on an exception basis.

The Chairman asked as an action point that the report in future show which risks were new, and also to show where a risk had disappeared. He said the mitigating actions were all clearly set out and the risks had been well addressed by Council and by officers. He said he was conscious that a new Committee would be formed, and he would suggest that it receive this assurance once a year.

The meeting ended at 9.25pm.