

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 18 AUGUST 2011**

Present: Councillor S Howell – Chairman  
Councillors K Artus, D Crome, A Dean, K Eden, D Jones,  
A Ketteridge, E Oliver, and E Parr.

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

Also attending: D Hanson (District Auditor-Audit Commission)  
E Patchett (External Audit Manager)

**PA16 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors R Chambers, J  
Ketteridge and D Sadler.

The Chairman welcomed Councillor K Artus to his first meeting of the  
Committee.

Councillor D Jones declared a personal interest in so far as he was a member  
of the Essex Pension Fund.

**PA17 MINUTES**

The Minutes of the meeting of the Performance Select Committee held on 23  
June 2011 were received, approved and signed as a correct record.

*(NB Cristine Oakey (Procurement Manager) was present at the meeting on  
23 June 2011.)*

**(i) Minute PA 14 Internal Audit Strategy, Charter and Terms of Reference**

In answer to a question from Councillor Dean, arising from an e mail he had  
received about the approval of the Internal Audit Strategy, Charter and Terms  
of Reference, the Divisional Head: Performance and Communications  
explained that the e mail to which Councillor Dean referred contained  
incorrect information.

The Committee noted that the e mail was incorrect, the minute as drafted was correct and the resolution was within the Committee's powers.

**(ii) Minute PA 7 International Financial Reporting Standards**

Councillor Eden praised the workshop arranged by the Assistant Chief Executive-Finance but he thought that, in view of the complexity of the subject, further workshops would be appropriate.

The Chairman of the Committee referred this to the Assistant Chief Executive-Finance who said he would be happy to arrange additional sessions.

**(iii) Minute PA 11 Corporate Risk Arrangements**

In answer to a question from Councillor Dean the Chairman of the Committee explained that it was not appropriate for the Committee to micromanage details of risk arrangements which were the responsibility of Management.

The Chairman commented that the minutes were complete and correct as usual and the Democratic Services Officer thanked him for his kind words.

PA18

**DRAFT STATEMENT OF ACCOUNTS**

The Committee considered the report of the Assistant Chief Executive-Finance and the Interim Accountant presenting the draft 2010/11 Statement of Accounts which had been certified and published on 30 June 2011 and were now in the process of being audited before approval of the final accounts in September.

The Assistant Chief Executive-Finance thanked the Interim Accountant for leading the production of the Draft Statement of Accounts which had been produced for the first time in accordance with International Financial Reporting Standards.

The Assistant Chief Executive-Finance drew to Members' attention the description (on pages 3 to 4 of the Draft Statement of Accounts) of the effects caused to the production of the Draft Statement of Accounts by the introduction of the International Financial Reporting Standards, and pointed out that these views, in the report and in the preamble to the draft statement of accounts, were viewed by the Auditor as "strong".

The Assistant Chief Executive-Finance also alerted Members to significant matters in the accounts;

- as regards Landsbanki, the question whether local authority preferential creditor status would alter;

- the Pension Fund Deficit reduction, caused by the Government's linking of future Member benefits to a different, lower, Prices Index;
- the General Fund favourable variance and consequential improvement to reserves caused mainly by a lesser figure than had been assumed for Icelandic losses and additional Government funding to offset Housing and Council Tax Benefits expenditure;
- the Housing Revenue Account favourable variance of £21,000 despite unbudgeted repairs arising from the very cold weather;
- the fact that some of the capital expenditure schemes had been re-scheduled to future years:

He pointed out that the accounts were the responsibility of the Assistant Chief Executive-Finance and that the Chairman of the Committee also had to sign them.

As regards the Balance Sheet he explained that the increase in assets had been due to an increase in the value of council houses and he detailed two amendments which had been necessary resulting in the increase in asset value.

He informed Members that the Council had no outstanding debt, but that the pension liability was £19,000,000.

He added that it was unlikely that there would be any change to reserves as a result of the audit.

The Cash Flow Statement showed no significant fluctuations: cash flow was strong, buoyant and closely managed.

The Assistant Chief Executive-Finance then drew attention to significant matters in the Supplementary Notes, stressing that there were now no usable capital receipts left, so that it would be necessary to borrow in order to finance capital expenditure in future years. There could be a significant effect upon the pension fund from the FTSE index fall.

He emphasised the importance of accuracy in the declarations by Members and senior officers of material related party transactions, and drew attention to the need to delete public conveniences from the Analysis of Fixed Assets and to make a correction to the depreciation calculation.

He referred again to concern about a possible double dip recession which could entail a serious risk of bad debts. A detailed update on Landsbanki was included in the discussion about credit risk.

In conclusion the Assistant Chief Executive-Finance informed the meeting that the total of the District Council's income from services (£41,310,000), the Essex County and other council tax (£49,772,000) and business rates

(£34,310,000), all of which flowed through the Uttlesford Collection Fund account during the year, provided a turnover of about £125,000,000.

The Assistant Chief Executive-Finance then invited questions from the meeting.

Councillor Eden endorsed the Assistant Chief Executive-Finance's views on bad debt provision.

Councillor Dean asked about the effect of the Council's deemed control of Leisure Connection services. The Assistant Chief Executive-Finance assured him that this was an IFRS presentational issue which had no impact on service provision.

Councillor Dean asked the District Auditor whether the Council's reserves were reasonable and she replied that it was for the Assistant Chief Executive-Finance to decide on the appropriate level of reserves; District Audit would intervene if they felt the level was too low but they had no current concerns.

Councillor Dean then asked the District Auditor whether she had any concerns about the Council's handling of debt, and she answered in the negative.

In answer to further questions from Councillor Dean the Assistant Chief Executive-Finance explained the meaning of "unusable reserves" in the context of the Balance Sheet and the Interim Accountant gave reasons for the separate cataloguing in the accounts of "s106 Receipts in Advance" which had to be entered in the creditors' section due to conditions which were as yet unmet, and "s106 Unapplied" which formed part of usable resources.

In answer to a question from Councillor Artus about the entry for Debtors 2009/10 "Central Government Bodies", the Interim Accountant explained that this line was expected to fluctuate because it included due government grant.

In answer to a question from the Chairman the District Auditor said that the audit was progressing well and the Annual Governance Report being prepared. There were areas where auditors were still working but this was not significant. She added that many authorities were finding the segmental analysis note difficult to prepare. It was the auditors opinion that the accounts were accurate and consistent. She suggested that some of the observations on IFRS would be better placed on a website as the foreword was intended to be explanatory.

The Chairman felt that the observations in question might help the reader of the accounts and the District Auditor agreed that this was possible but thought some language needed changing. The Chairman continued that he felt pages 3 to 6 of the accounts as worded were very useful to a lay person and that the particular words were not significant since the Foreword was

approved in principle. He also thanked the two auditors present, the Assistant Chief Executive-Finance and the Interim Accountant and the Members of the Committee for their hard work to achieve this satisfactory result.

RESOLVED that the content of the Draft Statement of Accounts and the report of the Assistant Chief Executive-Finance and the Interim Accountant be noted.

PA19

## **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered the report of the Internal Audit Manager which gave details of work undertaken by Internal Audit since the last report to the Performance Select Committee on 01 February and provided an update on implemented and outstanding internal audit recommendations.

The report also provided management and members with:

- i) Details of the work completed by Internal Audit since the last report to the Members of the Performance and Audit Committee at its meeting 23 June 2011;
- ii) A summary of the risk levels 3 and 4 highest priority recommendations made and agreed;
- iii) Performance against the Internal Audit Work Programme 2011/12;
- iv) Details of any risk levels 3 and 4 highest priority recommendations not implemented within the agreed timescale;
- v) Details of any risk levels 1 and 2 lower priority recommendations not implemented within the agreed timescale.

Details were also given of work undertaken by Internal Audit from 11 June 2011 to 05 August 2011.

Councillor Dean suggested that the Internal Audit Manager investigate a particular contract. The Internal Audit Manager agreed to include it as part of her annual audit of contracts and procurement.

The Chairman asked for clearer explanations for recommendations in the appendices.

In answer to a question from Councillor Dean the Chief Executive said that he maintained a register of Partnerships and their localities.

RESOLVED that the Internal Audit Manager's report be noted.

PA20

## **QUARTER 1 PERFORMANCE 2011/12**

The Committee considered the quarterly report on performance from the Divisional Head: Performance and Communications.

In answer to a question from Councillor Dean the Divisional Head: Performance and Communications explained the way that the indicator KPI02 was calculated.

The Chairman commented that customer satisfaction was very difficult to measure. Whilst the residents' panel was useful he was not sure whether it was representative. The Divisional Head: Performance and Communications explained that the panel had been recruited broadly in line with the demography of the District.

Councillor Dean was concerned also about the dips in accuracy of processing claims (KPI04). The Divisional Head: Performance and Communications informed the committee that the performance level for July had improved to 95.7% and that when errors were found, they were used as the basis for further training of staff. The Assistant Chief Executive-Finance said that as there were financial consequences for inaccuracy, which could mount up, it was important that these errors should be reported, and performance improved.

The District Auditor added that both under and over payment of benefit was a concern to the client as was the speed of payments.

The Chairman said that as the subject was an important one a letter should be sent to the relevant Cabinet Member and the Divisional Head: Performance and Communications agreed to collate this and any other areas of concern for the next meeting of the Cabinet.

Councillor Eden suggested that the maths of some of the notes was difficult to follow without a glossary of terms.

The Divisional Head: Performance and Communications explained that the underperformance of KPI 15 (missed bins) coincided with a period of sickness absence, holiday and temporary staff at Shire Hill Depot and service managers had said they believed it to be a temporary dip in performance. Corrective action had been taken in that the Operations Manager had relocated from Dunmow to Shire Hill. It was agreed that this indicator, as well, should be referred to the next meeting of Cabinet Member.

In answer to a question the Divisional Head: Performance and Communications agreed to investigate the possibility of a quarterly measurement for KPI14, to be named PI35

RESOLVED that the Key Performance Indicators numbered 04 and 15 be referred to the Cabinet Member and that the Quarter 1 Performance report be noted.

PA21

**QUARTER 1 CORPORATE RISK REGISTER 2011/12**

The Committee considered the quarterly corporate risk register from the Divisional Head: Performance and Communications.

The Chairman drew attention to the importance of imminent new financial legislation.

The Chief Executive reported on the production of the new risk register and of the Corporate Plan. The Corporate Plan would be submitted to the next meeting of the Cabinet.

RESOLVED that the report be noted.

The meeting ended at 9.15 pm.