

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 23 JUNE 2011**

Present: Councillor S Howell – Chairman
Councillors D Crome, K Eden, D Jones, T Knight, E
Oliver and D Sadler

Also present: Councillors R Chambers, J Ketteridge and J Rose

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: Debbie Hanson (District Auditor-Audit Commission)
Tom Pitts (work experience student, Finance)

PA1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A Dean, A Ketteridge
and E Parr.

PA2 MINUTES

The Minutes of the meeting of the Performance Select Committee held on 1
February 2011 were received, approved and signed as a correct record.

PA3 ACTION LIST/MATTERS ARISING

The Committee considered the list of actions to be undertaken following the
last meeting. Members agreed with the content of the list and had no items to
raise.

**PA4 2009/10 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL
REPORT**

Debbie Hanson presented the Audit Commission's annual report on
certification of claims and returns for 2009/10 and explained that although this
report was later in the financial year than usual, it would occur earlier in the
next financial year.

The report stated that the overall control environment for most claims requiring certification at the Council was satisfactory but (apart from the National Non-Domestic Rates Return) not robust enough to warrant merely Part A testing. Ms Hanson referred to an increase in the number of errors detected in the tested samples as compared with figures in previous years.

She answered Members' questions about the significance of the errors. Their importance could not be measured using the impact in lost funds or as a percentage of total amounts; the sums affected were random and could have been much larger, hence the importance of eliminating the errors.

The Assistant Chief Executive – Finance made the point that quality control based on larger samples showed better figures; also the Council's target for future years was higher.

The Assistant Chief Executive – Finance also highlighted the need for better housing benefits training for staff and referred to accuracy improvements following previous training programmes.

RESOLVED that the content of the Audit Commission's report be noted.

PA5 AUDIT PROGRESS LETTER

Debbie Hanson presented the Audit Commission's 2010/11 progress report, which summarised progress against the Audit Plan 2010/11 and drew Members' attention to the completion of the 2010/11 audit and certain key emerging national issues and developments. The next main report would be the annual governance report in September 2011. Meantime, so far as the Council was concerned, the report was a satisfactory one.

RESOLVED that the content of the Audit Commission's report be noted.

PA6 2011/12 AUDIT FEE LETTER

The Committee considered the audit fee letter sent to the Chief Executive in April 2011.

The Chairman said the cut in scale fees had been noted and was very welcome as there had been a feeling that the Council had previously paid more than its fair share.

The Committee noted the 2011/12 audit timetable.

RESOLVED that the content of the Audit Commission's report be noted.

PA7 **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 Financial Reporting Standards (IFRS). The report described this as the most significant reform of accounting rules for many years. The Assistant Chief Executive added that implementation of the new system would be extremely challenging.

Margaret Donaldson, the Interim Accountant, spoke about preparations for the task, and the Chairman of the Committee expressed admiration for the way officers had risen to the challenge of IFRS.

Members felt training sessions would help them in this context. The Assistant Chief Executive – Finance offered to provide hour-long pre-committee training sessions as he had found this format most effective previously. He was willing to meet individual Members for longer sessions as needed.

The Chairman of the Committee thanked him for this helpful offer.

RESOLVED that the report be noted and training sessions begun.

PA8 **REVIEW OF FINANCIAL REGULATIONS AND CONTRACTS PROCEDURE RULES**

The Committee considered the report of the Assistant Chief Executive – Finance and the Procurement Manager.

The report presented draft revised Financial Regulations and draft revised Contracts Procedure Rules. The Assistant Chief Executive – Finance explained that each document formed a part of the new constitution, so had been updated to reflect the move to a Cabinet system, and that they introduced principles of good practice in procurement.

The Chairman said he was very happy with the document and would ask his deputy to recommend it in his absence.

RESOLVED that the Full Council be recommended to approve the draft revised Financial Regulations and draft revised Contracts Procedure Rules at its meeting on 26 July 2011.

PA9 **DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT
CONSULTATION ON THE FUTURE OF LOCAL PUBLIC AUDIT**

The Committee considered the report of the Assistant Chief Executive – Finance about a Government consultation regarding the future of the Local Public Audit and proposals for a new audit regime whereby councils would be responsible for appointing their own auditors and their audit committees would be required to include non-elected members.

The consultation responses suggested by the report were in favour of councils appointing their own auditors but against the requirement to include non-elected members on audit committees.

The Chairman doubted whether it would be practical to appoint independent people with the right skills and he thought that more proportionate arrangements should be arrived at for the benefit of parish councils.

RESOLVED to approve the draft consultation responses set out in the report.

PA10

PERFORMANCE ARRANGEMENTS

The Divisional Head of Performance and Communications presented a report on the Council's performance management arrangements, all performance indicators and targets for 2011/12 and the 2010/11 performance for the Key Indicators.

Members were asked to approve the new reporting format and to approve significant changes in the way indicators were selected and presented. The indicators had been divided into two categories with 15 Key Indicators and a further 34 Performance Indicators. The review of indicators had looked at minimising duplication. It was felt that if information was already being reported elsewhere, a performance indicator was not required.

In answer to a question from Councillor Crome about KPIs 12 and 13 the Chief Executive explained that the targets had been linked to government recommended figures hence had no improvement factor.

The Chairman of the Committee stressed the importance of stretching but achievable targets and welcomed a focus on a small number of key indicators such as uncollected bins and re-let times for empty houses keeping targets high except where recent over-achievement demanded relaxation. He suggested keeping KPIs 12 and 13 under review for possible increase of target next year.

The Divisional Head of Performance and Communications explained to the Committee the process whereby the indicator list was drawn up and he reminded them that some targets had already been raised this year.

RESOLVED that the new arrangements be noted.

PA11 CORPORATE RISK ARRANGEMENTS

The Committee considered the report of the Head of Performance and Communications which set out the Council's approach to Corporate Risk and included the 2011/12 Corporate Risk Register which had been approved by Full Council in February 2011.

Members discussed areas of risk management particularly "soft" performance measurements and possible difficulties in ensuring that measurement happened and in tracking risk description.

The Chairman of the Committee said that it was not for the Performance and Audit Committee to involve itself in details which were the responsibility of management but the Committee could express its concern as a Critical Friend.

The Chairman was content that the Committee could identify risk and could ask for the assurance of officers if it had concerns. It was important that the Performance and Audit Committee did not infringe upon the Scrutiny Committee.

The Divisional Head of Performance and Communications added that the Scrutiny Committee would be setting its own agenda. The Performance and Audit Committee had to ensure that the risks were understood.

RESOLVED that the contents of the report and Register be noted.

PA12 ANNUAL GOVERNANCE STATEMENT 2010/11

The Committee considered the report of the Audit Manager and the Annual Governance statement 2010/11. It was noted that the Strategic Management Board had approved the statement.

RESOLVED to approve the Annual Governance statement for 2010/2011.

PA13 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2010/11

The Committee considered the report of the Audit Manager presenting the Internal Audit Annual Governance statement 2010/11. The report also showed the state of compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 ("The Code").

In answer to a question the Audit Manager confirmed that at present there were adequate internal audit resources but to be able to complete statutory

key financial audits later in the year additional auditor resource would be needed, and that she had been given leave to extend the current temporary appointment if required.

The Chairman of the Committee raised asset management in the context of reduced number of days' audit as against plan but the Audit Manager confirmed that the recommendations, made within the audit concerning adequate resourcing in 2011/12 for asset management, had been implemented.

RESOLVED that the internal audit coverage, the internal audit opinion and compliance with the "Code" be noted.

PA14 **INTERNAL AUDIT STRATEGY AND CHARTER AND TERMS OF REFERENCE 2011/12**

The Committee considered the report of the Audit Manager presenting the Internal Audit Strategy and Charter and Terms of Reference 2011/12 which had been reviewed and updated.

RESOLVED that the revised Internal Audit Strategy and Charter and Terms of Reference 2011/12 be approved.

PA15 **INTERNAL AUDIT PROGRESS REPORT 2011/12**

The Committee considered the report of the Audit Manager on work undertaken by Internal Audit since 16 January 2011 with an update on implemented and outstanding internal Audit recommendations.

RESOLVED that the internal audit progress report be noted.

The meeting ended at 8.40 pm.