

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 29 SEPTEMBER 2011**

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

Also present: Councillors R Chambers and J Ketteridge.

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant Director
Corporate Services), M Donaldson (Interim Accountant), S Joyce
(Assistant Chief Executive – Finance) and A Webb (Director of
Corporate Services).

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

PA22 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors K Artus and D Crome.

Members declared the following personal interests.

Councillor Jones as a member of the Essex Pension Fund.
Councillor Dean as his wife was Chairman of the Stansted Day Centre.
Councillor Chambers as a member of Essex County Council and the Essex
Fire Authority.

PA23 MINUTES

The Minutes of the meeting held on 18 August 2011 were received, approved
and signed as a correct record subject to the following amendment.

PA16 - to clarify that Councillor Jones is a current member of the Essex
Pension Fund.

With regard to PA17 (i) and (iii) and PA 19 Councillor Dean requested that the
specific questions he asked should be minuted.

Councillor Dean's question with regard to PA17 (i) concerned the accuracy of
the minute as he had received an email suggesting that the Internal Audit
Strategy, Charter and Terms of Reference would need to go to Cabinet for
approval.

Councillor Dean's question with regard to PA17 (iii) concerned the accuracy of the minute as he did not necessarily agree with the sentiments expressed.

Councillor Dean's question with regard to PA 19 was in relation to the contract for the installation of photovoltaic cells.

The Chairman said he was happy for the latest minutes to clarify these questions to ensure a proper audit trail of decisions but reminded members that minutes provided a summary and it was not possible to record everything that was said at the meeting.

PA24

BUSINESS ARISING

(i) Minute PA18 – Draft Statement of Accounts

The Committee was informed that the Icelandic Supreme Court's final judgement was expected in early October on whether local authorities would receive preferential creditor status in respect of the Landsbanki monies.

(ii) Minute PA20 Quarter 1 Performance 2011/12

The two key performance indicators of concern had been referred to the last meeting of the Cabinet and the portfolio holders had undertaken to report back to the Committee. These letters would be attached to the agenda for the next meeting. Councillor Chambers reported that the accuracy of processing housing benefit /council tax benefit claims had now improved to 98%.

(iii) Minute PA21– Quarter 1 Corporate Risk register 2011/12

It was reported that the updated risk register would be brought to the next meeting. In respect of KPI 14 it was agreed that the committee should receive the quarterly unaudited figures in addition to the annual audited figures.

PA25

AUDIT COMMISSION PROGRESS REPORT

The External Audit Manager reported on progress against the Audit Plan for 2010/11 and highlighted the main issues since the Performance Select Committee on 23 June 2011.

It was noted that in preparation for IFRS the Council had restated its 2009/10 financial statement in IFRS format to form comparatives in 2010/11 and this work was progressing well. The final findings of the grant claims audit would be presented to the Committee in February.

The Committee noted the report.

PA26

FUTURE OF AUDIT COMMISSION AND LOCAL AUDIT FUNDING

The District Auditor advised the Committee about the future of local audits. The Department for Communities and Local Government had been considering options for transferring the audit work of the Audit Commission's in house audit practice to the private sector. It had been decided that the best value for money would be achieved by outsourcing the work through a procurement exercise. She reported a letter from the Permanent Secretary which explained the process and timetable for the new arrangements. The contracts would be awarded from 1 September 2012 and bids were being sought on both a 3 and 5 year basis. After that time local authorities would be free to appoint their own auditors.

The Committee was given details of the arrangements during the procurement exercise. The appointments of auditors would take place in September 2012 with staff transferred in October 2012. The initial bids would be packaged geographically and Uttlesford would be in the eastern area. For the 2011/12 audits the arrangement would be unchanged, using the existing auditors. For the following year the staff might transfer to a new supplier.

The Chairman said the intention had been for the Council to appoint its own auditors at an earlier stage and questioned why this had changed. He was informed that the lead in time to put in place the necessary legislation and framework and to consider the responses to the consultation had been greater than anticipated.

Councillor Dean was concerned at this change of plan but the Chairman was reassured that there appeared to be a degree of continuity in the audit arrangements for the next couple of years. He hoped that there would be an opportunity to participate in the selection at a later date.

PA27

ANNUAL GOVERNANCE REPORT

The Committee received the Annual Governance report by the District Auditor which summarised the outcomes of the 2010/11 audit.

The report stated that the Financial Statements had received an unqualified opinion. The Council had coped well with the move to IFRS, reviewing past accounting policies, restating them in the format required. The current years accounts had been presented in this new format, and the Council had put in place the resources and skills to deal with this.

The District Auditor highlighted two errors in the figures but these were not material. The first was that 'other land and buildings' had been understated by £469,000 and the revaluation reserve understated by the same amount, this had subsequently been addressed in the balance sheet. The second was an

item within the fixed asset register that had been disposed of during 2010/11 which meant that 'other land and buildings' had been overstated by £110,000. Councillor Dean asked for clarification of this and it was explained that this item was the public conveniences in Great Dunmow that had been transferred to the Town Council at nil value but had remained in the draft accounts. These errors had been addressed and there was no impact on the level of useable reserves held by the Council.

The audit had concluded that the Council had proper arrangements in place to secure financial resilience and it was also intended to issue an unqualified conclusion that the Council had proper arrangements for challenging how it secured economy, efficiency and effectiveness.

The District Auditor then brought to the Committee's attention areas for improvement that had been identified. When looking at comparative costs expenditure on the corporate core had been found to be above average. It had also been noted that all capital receipts had been used and the council would have to consider a strategy for future borrowing. In addressing these issues the Assistant Chief Executive – Finance said that action had been taken to address spending in the corporate core budget with a reduction in senior management, restructuring of Democratic Services and progressing the Revenue and Benefits Partnership. The situation with capital receipts had been anticipated for some time and had been built into the MTFs and a report would be made to the Scrutiny Committee.

The report had also recommended that the Council improve the transparency of its decision making and ensure that adequate documentation was retained to support any decisions regarding termination benefits and associated statements.

A difference of £376,000 had been found between the non-domestic rate income reported in the HDR system and income recorded in the general ledger. The Assistant Chief Executive - Finance said this situation related to payments to Central Government dating back 2/3 years. It was not a material amount and could be resolved in the current financial year.

Under the heading of securing economy, efficiency and effectiveness, Councillor Dean mentioned the recent review of day centre provision that had made recommendations for improvement but as far as he was aware no action had yet been taken. He said that the Council should be looking to deliver solutions. The District Auditor explained that this report was written at a particular point in time and was setting out the principles of what the Council was seeking to do. In 2012 the audit would look at what had been delivered from those actions.

In answering a question from Councillor Dean about the provision of public conveniences in Stansted, Councillor Chambers said that following the termination of the contract, the superloos would be removed in January 2012.

A meeting with Stansted Parish Council had offered to build new facilities but the parish council had declined the offer at this time.

Councillor Eden asked if additional knowledge had been gained by the use of IFRS during this process. The Assistant Chief Executive – Finance said that the new accounting system did provide a better understanding of fixed assets and investments but had not necessarily added to the understanding of the Council's accounts.

The Assistant Chief Executive - Finance thanked the Auditors for their professional report and the help that they had given him throughout this process. The Chairman in turn paid tribute to the Finance Team for the tremendous amount of work that had led to this positive report.

RESOLVED that as specified by the District Auditor in her report the Committee

- 1 Take note of the adjustments to the financial statements which are set out in the report.
- 2 Take note of the unqualified Value for Money conclusion.
- 3 Approve the letter of representation on behalf of the Council before the auditor issues her opinion and conclusion

PA28

AUDITED STATUTORY ACCOUNTS 2010/11

Further to consideration of the draft accounts at the last meeting the Committee received the audited statement of accounts, which were now complete to be approved prior to publication by 30 September. The Assistant Chief Executive - Finance highlighted the changes that had been made since the last meeting and the amendments to the key financial statements.

RESOLVED that the Committee approve the audited statement of accounts for 2010/11.

The Chairman then formally signed the Statement of Accounts.

The Leader of the Council congratulated the Finance Team on the clear presentation and an excellent set of accounts and that for the second year in a row an unqualified statement had been issued. The Committee echoed these sentiments. The Chairman said that he was new to this committee and had found it very encouraging and had been pleased and impressed with all the hard work of officers.

The meeting ended at 8.40pm.

