

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 27 SEPTEMBER 2012**

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

Also present: Councillor J Ketteridge.

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant Director Corporate Services), S Bronson (Internal Audit Manager), R Dobson (Democratic Services Officer), M Donaldson (Accountancy Manager) and S Joyce (Assistant Chief Executive – Finance).

Also present: Debbie Hanson and Emma Patchett, Audit Commission.

PA21 WELCOME

Councillor Howell welcomed all to the meeting. He remarked upon the fact that this would be the last occasion when Debbie Hanson and Emma Patchett attended the committee as employees of the Audit Commission.

With the consent of members Councillor Howell said he intended to take in a different order the agenda items, to enable the formal business of approving the Annual Governance Report and Accounts to be dealt with first.

PA22 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors K Eden and D Sadler.

Councillor Jones declared a non pecuniary interest as a member of the ECC Pension Fund.

Councillor Howell declared a non pecuniary interest as an employee of May Gurney, a company which he believed was, or had been, a supplier to the Council.

PA23 ANNUAL GOVERNANCE REPORT

Debbie Hanson of the Audit Commission addressed the committee. She said her report summarised the results of the 2011/12 audit. The report included key messages arising from her audit of the Council's financial statements and the

outcomes of work in assessing the Council's arrangements for securing value for money in use of resources.

Debbie Hanson said the issue of the audit certificate would take place when the Whole of Government Accounts audit was complete. She expected to complete this work and report her findings to management by 5 October and to issue the certificate on the same day.

Debbie Hanson then drew attention to the key messages in the financial statements report. She was pleased to say that she would be giving an unqualified auditor's opinion and unqualified value for money report and she expressed her gratitude to the finance team for their assistance. She said there were no material uncorrected errors in the financial statements. However, she drew to members' attention one uncorrected but immaterial error; one material correction and certain non-material errors as described in the report.

The uncorrected error had been identified at a late stage in the accounts, and related to vehicles that were sold before 31 March 2012 but which had not been removed from the accounts. The gross value of the vehicles was £203,000; there was accumulated depreciation of £191,000 and there was a loss on disposal of £11,000. Therefore the net book value on the balance sheet was overstated by what was a trivial sum, £12,000.

The material corrected error related to an instance of 'double counting' of the 'vehicles, plant and equipment' component in 2011/12. Debbie Hanson explained that this was due to the addition to the fixed asset register of the revaluation for the whole asset which was added as 'buildings'. The impact of this error was that the property, plant and equipment figure on the balance sheet was overstated by £3.8 million. This figure had now been removed from the accounts.

The non-material correction related to cancellation of leases on refuse vehicles on 28 March 2012. However, as the Council continued to use the vehicles until June and July 2012 it was still deriving economic benefit from them, and therefore they should have remained on the balance sheet. An adjustment had been made to take account of the error together with the material error referred to above, to correct the overstatement of in the draft accounts of a net value of £3.3 million.

Debbie Hanson then highlighted her conclusions on risks and findings, as given in the report. She said risks were being dealt with appropriately.

Emma Patchett described the assessment and findings of the Council's systems of internal financial control. There were two matters which she had identified, regarding the management of the ledger closure at the end of 2010/11, and the absence from the Council's fixed asset register of a means for recording how

much revaluation decreases had been charged to the CIES in prior years. She highlighted the recommendations for future management for these two items.

Debbie Hanson said the value for money conclusion criteria were similar to the findings last year in that she found the Council had put in place proper arrangements to secure financial resilience and had also established proper arrangements to challenge how it secured economy, efficiency and effectiveness.

Councillor Howell said this conclusion was very welcome and invited comments from members.

Councillor Dean asked whether the auditors considered the uncorrected error regarding sale of vehicles was a mistake attributable to an individual error, or to systematic errors.

Debbie Hanson said the error seemed a 'one-off' as the auditors had carried out a significant amount of work on testing the Property, Plant and Equipment (PPE) balances.

Councillor Dean asked about an apparent discrepancy between figures for NNDR and Council Tax in the report and in the representation letter.

Emma Patchett explained that the figure of £129,000 referred to in the letter represented the two amounts netted off.

There were no further questions on the Annual Governance Report. Councillor Howell said he was pleased that for the second year running the Council had achieved a finding that it was securing value for money in its financial resilience, and that the Council had an appropriate approach to reserves and to managing its budgets. He thanked the audit team for their support and help, and acknowledged with gratitude the enormous task completed successfully by the finance team. He invited members to vote on the recommendations in the report.

RESOLVED to

- 1 note the adjustments to the financial statements included in the report (Appendix 2)
- 2 approve the letter of representation (Appendix 3)
- 3 approve the response to the proposed action plan (Appendix 5).

PA24

STATEMENT OF ACCOUNTS

The Accountancy Manager presented a report and the Statement of Accounts 2011/12, which she invited the committee to approve for publication and which if approved, the chairman would sign at the end of the meeting.

The Accountancy Manager said the accounts should be considered in the context of the external auditor's findings. She highlighted the main differences between the audited version of the accounts from the draft which the committee had reviewed at its last meeting, referring to a net reduction of £3.3 million in the fixed asset values on the balance sheet due to revisions in the accounting adjustments made for revaluations and disposals. These revisions had had no net effect on the balance sheet. The reanalysis of debtor and creditor balances in the prior year (2010/11) figures ensured better comparability with the 2011/12 figures.

Councillor Howell said this document was very similar to the one which the committee had considered in detail at its meeting in August. There being no questions, he invited members to vote on the recommendation.

RESOLVED to approve the audited 2011/12 Statement of Accounts as presented.

Councillor Howell then signed the 2011/12 Statement of Accounts.

PA25

MINUTES

The minutes of the meeting held on 16 August 2012 were received. Councillor Dean referred to minute PA16(i) paragraph 4. He said that he felt the minutes were an incomplete record in certain particulars as he recalled comments made by the officer which had not been recorded, including a reference to manipulation of data. In his view the minute was therefore misleading.

Councillor Howell suggested it was more helpful to a member wishing for greater illumination on items recorded in the minutes to raise such items under Matters Arising. The minutes were not verbatim but were intended to capture the nature of the discussion. He said the consideration of the minutes for accuracy was to be addressed at this point, and he felt it was not appropriate to make large-scale adjustments.

Councillor Ketteridge said he had no recollection of the use of the word 'manipulation' in the discussion to which Councillor Dean had referred.

Councillor Dean said there was in his view a question over the accuracy of the Committee's minutes, which he believed were subject to inappropriate adjustment.

Councillor Jones said this was a serious charge, which was regrettable, and asked whether Councillor Dean had prepared any amended wording to the minute in question.

Councillor Howell said the use of the word ‘manipulated’ was regrettable. He did not see the minutes before they were circulated and believed this was true for all members. There was scope in Matters Arising to expand the previous minutes if discussion was not captured the first time. Under the present item he wished to deal with clear factual errors. He referred to Minute PA14 which in the fifth paragraph referred to figures from which the decimal was absent, which with the agreement of the committee he corrected (to £8.784 million and £8.947 million).

With the dissent of Councillor Dean, the committee agreed that the Chairman should sign the Minutes as an accurate record.

PA26

MATTERS ARISING

(i) Minute PA14 – 2011/12 Draft Statement of Accounts

Councillor Dean asked whether progress had been made in distribution of the hardship fund and if not, whether the Portfolio Holder for Finance would consider transferring the money to the Localised Council Tax Support scheme.

The Chairman said this question would perhaps be more effectively taken forward if put to the Scrutiny Committee, as the Performance and Audit Committee did not perform that function.

(ii) Minute PA16(i) – Quarter 1 Performance 2012/13 – time taken to process housing benefit/council tax benefit claims

Councillor Dean said he did not agree with the interpretation by the Chairman that the matter he had wished to raise related to the circumstances of individual claimants, but to collective performance.

(iii) Minute PA16(ii) – processing of major applications, minor applications and other applications

The Chairman said the reference by the Assistant Director - Planning and Building Control to expectation of an improvement to the performance indicators by the end of next year was intended to refer to ‘this year’. He said the Assistant Director Planning Building Control would be invited back to the November meeting.

Councillor Dean asked a question about the efficiency of the new planning document system. The Chairman said there would be report on the performance of the planning service at the November meeting.

Councillor Dean said he would seek clarification regarding the reason given for underperformance of this service at the beginning of the year, which he believed had been stated to be because the system was being manipulated.

Councillor Howell disagreed with Councillor Dean's recollection of what had been said.

Councillor Dean advised that the Officer had not used the word "manipulated" but the Officer had not objected when he raised comparison with NHS waiting time statistics. Councillor Dean said any possibility of a cover up should be avoided.

The Chairman objected to the suggestion being put that this could be the case.

Councillor Dean sought assurance that his concerns would be carried forward to the November meeting.

(iv) Minute PA20 – Corporate Risk Register

Councillor Dean asked that a financial report be brought to the committee regarding the joint partnership which had been proposed with Harlow Council. He said the report to the Scrutiny Committee in September had not addressed the cost of this exercise.

Members questioned whether this matter was one which fell within the remit of the Scrutiny rather than the Performance and Audit Committee.

Councillor Howell said it seemed there was confusion over the respective roles of audit and scrutiny committees. He felt it was better and more appropriate for the matter which Councillor Dean had raised to be addressed by Scrutiny Committee. He invited Members to express their views if they did not share his view on this question.

No Members expressed a contrary view.

PA27

CORRESPONDENCE BETWEEN COUNCILLOR DEAN AND COUNCILLOR HOWELL

Members considered a letter from Councillor Dean to the Chairman dated 19 August, Councillor Howell's reply of 2 September and Councillor Dean's further letter of 19 September together with an attachment of the 2005 NHS audit committee handbook.

Councillor Dean explained that he had been short of time for providing an up to date version of the NHS audit guidance. However, he had now had a copy of publications issued by CIPFA which were very relevant to this committee, as they related to local authorities and covered practical guidance a 'toolkit' for audit committees.

Councillor Howell said he had in May undertaken the Performance and Audit Committee's self-assessment which had included the checklist set out by CIPFA. He had identified some areas of non-compliance, three of which were very minor and had concluded the committee had achieved 92% compliance with the requirements.

Councillor Dean said he felt involvement of the committee members was a preferable approach.

Councillor Howell said he would be happy to share this task with members, and on his inviting volunteers to do so, Councillors Dean, Jones and Oliver expressed willingness to take part.

Further comments were made on the distinction between audit and scrutiny committees, and the way in which the role of an audit committee complemented that of internal auditors.

The Chairman said he wished to establish members' views regarding both the role of this committee and his chairmanship and asked each to comment.

Members other than Councillor Dean expressed support for Councillor Howell's chairmanship. Councillor Artus said there was a clear difference between the roles of a scrutiny and an audit committee. It was the role of this committee to monitor the performance of the Council through monitoring reports to other committees, but not to require further reports from officers.

Members questioned Councillor Dean's reference earlier in the meeting to an allegation that data had been manipulated.

Councillor Howell said Councillor Dean's comments were valuable as an appropriate independent challenge to the work of the committee. He felt there had been some confusion as to the respective roles of the committee and its members, as well as confusion between the role of the Scrutiny and Performance and Audit Committees. The matter had now been aired and he considered it could now be closed.

Councillor Dean said he felt there had not been adequate training for members of the committee, in accordance with CIPFA advice and that members would benefit from considering the publications to which he had referred. His intention

in taking a stand had been to draw attention to what he considered to be a better way forward.

Debbie Hanson said that from an external perspective she recognised there was scope for confusion between the roles of audit and scrutiny committees. She said training for the committee had been provided by the Audit Commission, at which this distinction had been stressed. She said the Performance and Audit Committee did not have a management role, but was an assurance committee, which was entitled to ask for reports on data provided to it, but not on individual cases. The committee should be focused around the internal and Governmental control framework, and the committee would benefit from some clarity to address this demarcation.

She said she had seen a number of audit committees in operation and in her view this committee was doing well.

Councillor Dean said it would be helpful to examine the committee's terms of reference and for draft agendas to be sent to all members in order for items of business to be suggested.

Councillor Howell thanked members and said he would take from this meeting a number of useful thoughts. He said the committee's review in May would include an agenda review. He was aware of the self-evaluation practised by Boards in the public arena and whilst he was reluctant in view of costs to undertake an external version for this committee, it would be of benefit to do so internally. He considered it useful that concerns had received proper discussion.

PA28

ANY OTHER ITEMS

There were no urgent items.

The meeting ended at 8.35pm.