

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 15 MAY 2014**

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

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant Director Corporate Services), S Bronson (Internal Audit Manager), M Cox (Democratic Services Officer), S Joyce (Assistant Chief Executive – Finance), C Oakey (Procurement Manager) and A Webb (Director of Corporate Services).

Also present from Ernst & Young LLP – Debbie Hanson (Audit Director).

PA1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor J Parry.

PA2 MINUTES

The minutes of the meeting held on 13 February 2014 were signed by the Chairman as a correct record.

PA3 BUSINESS ARISING

i) Minute PA29 (i) – Annual Audit Letter

The Audit Director reported that a provisional view had been reached on the objection to the council's accounts and the objector had been given an opportunity to comment on these findings. A further response had been received from the objector but as there was no new evidence, the final statement of reasons was being prepared.

The Chairman said he accepted the public's right to raise an objection but commented that it was now 9 -10 months since this objection had been received and the audit certificate had still not been issued. The Audit Director said she understood the frustration but there was a statutory legal framework for dealing with objections. The Audit Commission had a target to deal with the objection within 9 months. It was confirmed that the objection had been found to have no merit and the certificate would be issued shortly.

PA4 **PROTECTING THE PUBLIC PURSE – FRAUD BRIEFING**

The committee received a fraud briefing presentation from the Audit Director. She explained the areas of fraud that were relevant to local authorities and showed comparative statistics of detection rates with other authorities in the East of England.

A copy of the presentation would be circulated to members of the committee.

PA5 **ANNUAL AUDIT AND CERTIFICATION FEES 2014/15**

The Audit Director reported the proposed audit fees for 2014/15. It was noted that two areas were still being finalised. These related to the objection to the council's accounts and the final fee for certification of claims and returns in respect of the 2012/13 housing benefit claim which had yet to be concluded.

Regarding the housing benefit claim the Assistant Chief Executive – Finance reported that the claim had been completed on 9 April 2014. The qualification letter had now been received and had been sent to the DWP and the council was waiting for a response on what further action, if any was required.

The main issues had been in relation to assessing the income of the self-employed and miscategorising whether the overpayments were the claimant's or the council's error.

The Assistant Chief Executive – Finance said that improvements in quality control were needed and action was being taken to address these matters. The council was also seeking external advice.

The Chairman understood that this was a complex area but it appeared that lessons had been learnt and improved processes were being put in place.

PA6 **FINANCIAL REGULATION REVIEW**

The committee received the draft revised Financial Regulations. These had been last formally approved in 2011 and set out the rules by which the Council's financial resources and systems should be managed and operated. The regulations had been reviewed by the Assistant Chief Executive – Finance in consultation with CMT and Internal Audit.

Although most of the clauses were still relevant, the report highlighted the changes required to reflect the current working practices of the council.

Members raised the following issues.

The Chairman asked about the internal controls that were in place for approving transactions and asked whether there was a schedule of authority underpinning the regulations. It was explained that there was a proper scheme of delegation, which identified the staff that were authorised to place orders and make payments and set out the limits of their authority.

Members asked if there was consistency across the organisation and were advised that the Procurement Manager had an oversight of this process and made sure that level of authority in terms of staff responsibility and pay scales was broadly similar across all departments.

Members asked about the treatment of year end balances. The Assistant Chief Executive - Finance advised that there had been only a handful of slippages over the last year and the budget outturn report would be considered by Cabinet on 25 June 2014.

Referring to the treatment of the council's assets the committee agreed that £10k was a sensible lower limit for the inclusion of fixed assets in the asset register. Members were reassured about how items below this limit were recorded.

In relation to the write off of stocks and stores, Councillor Jones questioned whether the wording of the regulations was tight enough to prevent desegregation for write off purposes. It was AGREED that a new clause would be included to prevent desegregation for the purpose of write-off limits.

In relation to intellectual property it was suggested that there should be a clause in the UDC employment contract to state that the council would own anything developed by the employee when employed by the council.

It was confirmed the council no longer dealt with petty cash. Small purchases were made with the council's credit card. It was confirmed that there were about 20 cards in use; it was a transparent and well controlled process.

RECOMMENDED that the revised Financial Regulations including the additional clause in relation to stocks and stores, as set out above, be recommended to Full Council for approval.

PA7

CONTRACT PROCEDURAL RULES – REVIEW

The Committee received the revised Contract Procedural Rules which governed the procurement of goods, services and work. The review had identified the following amendments.

- To clarify that some services could be commissioned from Essex County Council without the requirement for a competitive tender, if there were no other suppliers of the service in question.
- The purchasing officers should give consideration to contract exit strategy arrangements.
- The Procurement Manager to be able to nominate a substitute to participate in tender opening procedures.

The committee agreed that these were sensible amendments and

RECOMMENDED that Full Council approve the revised Contract Procedure Rules

PA8

PERFORMANCE AND AUDIT SELF ASSESSMENT 2013/14

The Audit Manager reported the results of the committee self-assessment exercise carried out in line with CIPFA new guidance to evaluate the effectiveness of audit committees. It replaced the self- assessment checklist that had been used in previous years and all members had been invited to take part in the exercise. The first part was the self- assessment of good practice. The report summarised the responses to the questions.

The second area was the evaluation of effectiveness which required consideration of 9 areas where the audit committee could add value by supporting improvement.

It was concluded that in 2013/14 the Performance and Audit Committee had fulfilled its duties in accordance with the guidance.

Through the consideration of areas that had been partly met, it became clear that it would be helpful to identify whether members had the appropriate skills and knowledge to operate as an audit committee and to develop a training programme appropriate to this development.

The Assistant Director Corporate Services said that the committee operated in 3 areas. The first was to monitor the performance of council services, which members appeared to be very comfortable with. The

second was to approve the statement of accounts, which required an understanding of the council's finances.

The third area was the audit function which he suggested was an area where members would benefit from further training. The Audit Manager said it would be possible to arrange a bespoke training session on this subject. Members agreed that training for the committee would be useful, and asked officers to arrange the first session on audit matters at a date in July.

It was RESOLVED to

- 1 Note the outcome of the Committee Self-Assessment 2013/14.
- 2 Develop a programme of training for the committee over the next 12 months.

PA9

INTERNAL AUDIT PROGRESS REPORT

The Committee received a report on the work undertaken by Internal Audit since the last meeting and an update on the implemented and outstanding audit recommendations.

In answer to a question from Councillor Oliver, the Audit Manager explained the informal joint arrangements with Epping Forest DC for sharing staff resources within the Internal Audit section.

PA10

QUARTER 4 PERFORMANCE 2013/14

The Committee considered the report which set out the key performance indicators and performance indicators for Q4 of 2013/14. It also showed the result for each indicator measured against the annual target. The Chairman said the figures were generally encouraging.

KPI07 (Average number of sickness days per employee).

It was noted that this had been a red indicator for the last 2 quarters. The Director of Corporate Services explained that the figures had been affected by a number of staff currently on long term sick leave. He confirmed that the Management Team was committed to actively managing staff back to work and external occupational health was involved at an early stage.

KPI08 (Average re-let time in days)

The Chairman was pleased to see that this indicator had shown a significant improvement over the year.

KPI 09 (Number of accidents that are reportable under RIDDOR)

The Chairman was said that this year there had been 12 reported accidents whilst over the previously two years this figure had been zero. He asked for an explanation of this increase and said that saying 'accidents happen' was not good enough.

The Director of Corporate Services said the council operated in many areas but there were no obvious trends to the reported accidents. This issue was treated very seriously within the authority. The situation was monitored by monthly Health and Safety meetings, procedures had been reviewed and a programme of training had been put in place. So far this quarter there had been no reported accidents.

KPI 11 (processing of planning applications (major))

The committee was pleased to note the continued progress within the Planning area.

KPI 15 (number of return visits to collect bins that have been missed on the first visit)

The Q4 indicator and the annual figure were still below target but it was an improved picture from 2012/13. One of the issues was the quality of the reporting of the missed bins but it was expected that the recent installation of in-cab technology lead to an improvement in this area.

KPI 16 (rent collected as a percentage of rent owed)

This new indicator was agreed at the last meeting, and showed positive results for rent collection performance.

PI 12 (Housing Benefit recovered as a percentage of the total amount recoverable HB overpayments)

The Chairman commended the improved performance from the 2012/13 figure.

PI 21 (% of minutes from meetings made available to the public within 10 working days)

The Chairman commented that the publication of the minutes should not be delayed by Lead Officer's failing to comment within the required period of time.

PA11 **QUARTER 4 CORPORATE RISK REGISTER 2013/14**

The Committee noted the Corporate Risk Register as at the end of Q4 2013/14.

PA12 **URGENT BUSINESS**

The Chairman asked that as some council meetings were now being recorded, should this practise be extended to this committee, particularly to the meeting which approved the statement of accounts. He was advised that the effectiveness of the system was still being evaluated but this could be borne in mind for the future.

The Chairman announced that Stephen Joyce, the Assistant Chief Executive – Finance would be leaving the council on 30 June. He expressed his thanks for the significant contribution he had made to the council and particularly to this committee where he had offered enormous comfort and reassurance. He registered the committee's thanks for his hard work and effort and wished him well in his new position.

It was noted that the Director of Corporate Services would be acting as the S151 Officer until the new appointment was made.

The meeting ended at 9.30pm.

ACTION POINTS

Minute PA4	The Fraud Briefing presentation to be circulated to members of the committee.
Minute PA6	The draft Financial Regulations with the updated clause to be forwarded to Full Council for approval.
Minute PA7	The draft Contract Procedural Rules to be forwarded to Full Council for approval.
Minute PA8	Officers to develop a programme of training for the committee over the next 12 months and to consider a date in July for the Audit training.