

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 30 JULY 2015**

Present: Councillor E Oliver – Chairman.
Councillors G Barker, M Foley, J Gordon, D Jones, N
Hargreaves, B Light and J Loughlin.

Also present: Councillors H Rolfe (Leader) and S Howell (Cabinet Member
for Finance and Administration).

Officers in attendance: J Mitchell (Chief Executive), S Bronson (Internal
Audit Manager), R Dobson (Principal Democratic and Electoral
Services Officer), A Knight (Assistant Director – Finance) and A
Webb (Director of Finance and Corporate Services).

PA1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors T Knight and from
R Auty (Assistant Director Corporate Services) and EY. It was noted that
the absence of EY, the external auditor was unfortunately due to an
accident and the good wishes of the committee would be passed on to
her.

PA2 MINUTES

The minutes of the meeting held on 12 February 2015 were signed by the
Chairman as a correct record.

PA3 MATTERS ARISING

The committee received an update on completed actions identified at the
meeting held on 12 February 2015, as follows:

(i) Minute PA41 – internal audit work programme 2015/16

The Committee's self-assessment meeting had been completed.

(ii) Minute PA44 - internal audit work programme

Section 106 agreements and electoral registration had been added
to the 2015/16 audit programme.

(iii) Minute PA45 – internal audit charter

The internal audit charter was included in the papers for this meeting for information.

(iv) Minute PA46 – Quarter 3 Performance 2014-15

The plan for recycling promotion would be circulated to the committee following a meeting scheduled for the following week.

(v) Minute PA 48 – audit plan

In the absence of the external auditor at tonight's meeting, due to an accident, the audit plan was not available for circulation at this meeting.

PA4

DRAFT ANNUAL GOVERNANCE STATEMENT 2014-15

The committee received a report from the Audit Manager, seeking approval of the annual governance statement.

Councillor Hargreaves asked whether the inclusion in the framework of the code of conduct was automatic, and whether any revisions to the code which might be agreed following recommendations by the Standards Task Group could be taken into account in this document.

The Audit Manager confirmed the code of conduct was included in the governance statement each year and that the document being considered related to the previous year.

The Director of Finance and Corporate Services said the following year's annual governance statement would reflect any revisions which might be agreed during the forthcoming year by the Standards Committee to the code of conduct.

Councillor Hargreaves referred to the section of the annual governance statement which reported on the responsibility of the Standards Committee in investigating alleged breaches of the code of conduct. He said the presentation of the information was confusing and that it would be clearer if it were set out in a table form.

Councillor G Barker asked whether the format of the governance statement was prescribed.

The Audit Manager said the format was not prescribed, but followed a recommended format which was updated each year.

RESOLVED to approve the annual governance statement 2014/15.

PA5

DRAFT STATEMENT OF ACCOUNTS

Members considered the 2014/15 draft statement of accounts.

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

The Assistant Director - Finance said the report was for information as the committee would at its meeting on 24 September be requested to approve the audited statement of accounts for 2014/15, together with the external auditor's annual governance report. The draft Statement of accounts had been published on 16 June and was consistent with the outturn results approved by Cabinet on 18 June.

The Assistant Director - Finance drew members' attention to key items in the accounts as set out in the report. She said a significant change related to long term assets, regarding the re-valuation of the council's land and buildings, in particular council stock of approximately £36.6 million. The reasons for this re-valuation were due to factors such as the healthier state of the economy, and the value of housing within the area having increased.

Regarding the Council's current assets and liabilities, the Assistant Director - Finance said there had been a net decrease. This was primarily due movements in the collection fund balances and changes in accounting practice, to give a clearer picture in the balance sheet.

The Assistant Director – Finance referred to the Essex Pension Fund. She said the Fund was administered by Essex County Council, in accordance with the national local government pension scheme rules. There was a significant increase in long term liabilities which related to the Council's share of the Essex Pension Fund deficit of £5.2 million. The Assistant Director - Finance said the movement of £5.2 million was due to the discount rate applied to yields on high quality bonds falling from 4.4% to 3.2% and the effect of this could have been higher but due to the continued strong performance of the investment markets with an increase of 5% on the Fund's return on assets from 9% to 14% this had been reduced.

In reply to a question by Councillor Barker, the Assistant Director – Finance said re-valuation of property was an element of the CIPFA code. This year's re-valuation was a standard one involving only a small selection of assets; every five years the Council had to conduct a full re-valuation.

The Assistant Director – Finance confirmed that re-stated figures would be included in full in the final version, and that the notes on each page referred to carried forward published figures from last year's statement.

Councillor Hargreaves asked how parking income was shown, as in his view it was likely to be of interest to the public and should be highlighted separately from the section on the North Essex Parking Partnership.

The Assistant Director – Finance said the information was set out within the Highways Roads and Transport section. If further lines were to be added to highlight the information separately, it would mean consideration would then also have to be given to whether other lines should be included, and this would not be consistent with the requirements of the CIPFA guidelines. The information on car parking income formed part of the fees and charges revenue, which was set out in the outturn report presented to Cabinet in June. She would consider other options for presenting this material.

Councillor Foley asked whether it was correct that the closing reserves had been boosted by approximately £900,000 owing to an underspend of about the same amount that was not forecast in February this year when the budget for 2015/16 was set. He asked for an explanation why the forecast in February differed so much from the figures set out in the draft Statement of Accounts for 2014/15.

The Director of Finance and Corporate Services said the report which Councillor Foley referred to was the 2014/15 budget monitoring report, item 16 on the Cabinet agenda of the meeting held on 17 February 2015. He gave the following detailed answer:

That report summarised the budget position as at the end of December 2014, that is, six weeks before the meeting, and with three months of the financial year remaining. At that time the general fund was forecasting a small surplus. At the June Cabinet meeting the 2014/15 outturn was given as a similar number, however officers had been very transparent in pointing out in paragraph 16 that the pension payment of £748,000 originally planned to be funded from reserves had actually been funded from the in-year revenue account. Also included in the report at

paragraph 11 were all of the favourable and adverse budget variances with the February forecast included within the brackets. With budget forecasting, figures would inevitably change, however there were two new variances that had not previously been forecasted

The first was a technical accounting change to the way in which discretionary rate relief had been accounted for. This gave a positive variance of £366,000.

The second was office cleaning where a positive variance of £23,000 had arisen due to the difficulties in recruiting cleaners.

In addition, improved performance by the benefits service saw the predicted adverse variance of £292,000 reduce to £36,000.

The effect of all of these changes and several other lesser changes was an in-year service favourable variance of £893,000. However, even after taking this into account the reserves for 2014/15 reduced by £902,000 compared to 2013/14 as set out in the table at point 17.

Councillor Barker asked a question which had been raised at a meeting of the Scrutiny Committee, regarding whether the Statement of Accounts could include line numbering to facilitate references to items.

The Director of Finance and Corporate Services said identification numbering had been included at the budget setting stage, but the issue for the preparation of the draft Statement of Accounts was the constraints on time, as there was additional work required in ensuring additional line information was accurately cross-referenced. However officers would take this point for further consideration.

Councillor Barker asked a question about the specific figures shown against references to the Motte and Bailey at Saffron Walden Castle. The Director of Finance and Corporate Services said this and any other specific questions which members wished to ask regarding the draft Statement of Accounts would be looked at by officers after the meeting, as the intention was to enable the opportunity to address any such points before the draft Accounts were finalised.

RESOLVED to approve the draft Statement of Accounts for 2014/15.

PA6

PERFORMANCE AND AUDIT COMMITTEE SELF-ASSESSMENT

The Committee considered a report by the Audit Manager regarding a self-assessment of the work of the committee. The purpose of the self-assessment was to ensure the committee was meeting its responsibilities against the guidance provided the Chartered Institute of Public Finance and Accountancy (CIPFA). The self-assessment would constitute evidence in support of the Annual Governance Statement 2014/15.

Members had in April 2015 considered the performance of the committee in fulfilling its Audit Committee functions in 2014/15. The responses to the CIPFA good practice checklist were set out in the report. The conclusion of the self-assessment was that in 2014/15 the Committee had effectively fulfilled its Audit Committee functions in accordance with the guidance.

The report was noted.

PA7

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2014/15

Members considered the report of the Internal Audit Manager advising on the work carried out by internal audit during 2014/15 and providing an overall opinion on the Council's control environment for that year.

The Internal Audit Manager said that the overall opinion was that controls had been substantially managed for 2014/15.

Councillor Loughlin asked for clarification of the irregularity provision.

The Internal Audit Manager said irregularity provision meant the days built in to the programme to schedule some days which could be allocated to any ad hoc internal audit work which came up, such as allegations of fraud.

The report was noted.

PA8

INTERNAL AUDIT STRATEGY 2015-16 AND INTERNAL AUDIT CHARTER 2015

Members considered a report by the Internal Audit Manager informing members about the revised internal audit strategy 2015/16 and providing new members with the internal audit charter. She said the work of internal audit was governed by the UK Public Sector Internal Audit Standards

(PSIAS). These standards required that the internal audit charter be periodically reviewed and presented to senior management and the PSIAS board for approval, and that there should be a risk-based internal audit plan that took into account the requirement to produce an annual internal audit opinion and assurance framework.

Councillor Barker asked whether the internal audit team had genuine independence, in view of the fact it reported to the section 151 officer, Chief Executive and committee Chairman. The Internal Audit Manager said that in effect the team investigated all departments and reported to senior officers and to the committee.

Councillor Barker asked whether the statement in the report “Further unrestricted access is also available to Members . . . and all authority officers” worked both ways.

The Internal Audit Manager said the intention of this phrase was to explain that the internal audit office would have unrestricted access to any member if they had concerns about any officers. She would be happy to clarify this point for future reports.

RESOLVED to approve the revised internal audit strategy 2015/16 and note the internal audit charter.

PA9

INTERNAL AUDIT PROGRESS REPORT

The Committee considered the report of the Internal Audit Manager regarding the period 1 February to 17 July 2015.

The Internal Audit Manager explained that this report, which was brought to the Committee at each meeting, provided details of work undertaken by Internal Audit. It also gave updates on implemented and outstanding internal audit recommendations and highlighted any high priority recommendations which had been made. In reply to a member question, she explained the reason why the report stated there were no recommendations for level 3 or 4 risks was that none were due for implementation during the period to which the reported, rather than no such risks existing.

In response to another member question, the Internal Audit Manager explained that the reference to Covalent was a reference to the software system through which risks were reported.

The Committee noted the report.

QUARTER 4 PERFORMANCE 2014-15

The Committee considered the report of the Assistant Director Corporate Services. The Director of Finance and Corporate Services said the report gave the background of Key Performance Indicators, the corporate risk register for 2014/15, and the Corporate Risk Register for 2015/16.

The Director of Finance and Corporate Services highlighted the KPIs where their risk scores had attracted a red traffic light icon.

The level of staff sickness had been of concern to CMT over the 2014/15 year, although initial data for Q1 of 2015/16 had demonstrated some improvement. Sickness absence management refresher training was taking place.

Officers explained the table set out information for both long-term and short-term sickness, and that it was proposed to alter the definition of long-term absence from 40 working days to 20 days, following comparative research with other authorities. The proposed change would be the subject of consultation with Unison.

Members considered the KPI for the number of accidents that were reportable under the duty of RIDDOR, the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Councillor Barker suggested RIDDOR should be an information item for the Scrutiny Committee.

Regarding KPI 14, the percentage of household waste sent for re-use, recycling and composting, the Director of Finance and Corporate Services drew attention to the fact that the figures reflected in part the percentage of dry recyclables claimed by the sorting contractor to be contaminated. There had been an ongoing dispute in 2014/15, but the contract had been terminated in April and a new contract commenced in May. Annual performance was also affected by fly tipping, of which increased levels were being experienced by other Essex councils. Where the offender could be identified, prosecution would be pursued and publicity would be given to successful prosecutions to deter others.

Members noted that in contrast to the previous situation, contractors now needed to be paid rather than receiving payment for the waste that was collected. Officers explained this change represented a swing of £500K.

Councillor Foley said he had been informed replacement of a bin would take eight weeks. The Chief Executive said there had been a problem

which had now been resolved in the delivery timings. Less time would normally be taken to arrange sending out a replacement bin.

In reply to a member question regarding whether any prosecutions had taken place in relation to fly tipping, the Chief Executive said prosecutions took place only on public land. The Director of Finance and Corporate Services said he would circulate information on the most recent prosecutions which the Council had carried out.

Members considered performance indicator 14a, the number of people presenting as homeless. Members discussed the intention of including this information as a performance indicator since there was no control over some types of homelessness.

The Chief Executive said officers were considering that point, and further discussions were taking place as to the validity of including this information as a performance indicator. Officers would report further to members on how they would recommend this information should be presented. The council had a statutory role, and if someone who presented themselves as homeless met the statutory criteria, then the council had to find them somewhere to live; after a recession there was a tendency for homelessness to increase.

The Director of Finance and Corporate Services said the issue of homelessness was going to the Housing Board. The figures for homelessness had approximately doubled from the year 2013/14 to 2014/15. The extent of social housing available was limited.

Councillor Loughlin said if a person was homeless, whether housing was low-cost or not seemed irrelevant.

The Director of Finance and Corporate Services said the benefits support for housing had become more restricted under the July 2015 budget.

Councillor Foley said there was likely to be an increased problem with homelessness, and that he was aware of other organisations such as the local church, helping people in those circumstances.

Councillor Rolfe said the Council had invested £1million in short-term housing provision last year to alleviate the problem.

The report was noted.

Councillor Rolfe asked how often the performance measures were reviewed.

The Director of Finance and Corporate Services said the indicators were reviewed annually at Corporate Management Team level and at Committee level, and target-setting was done annually.

PA11

CORPORATE RISK REGISTER

The Committee considered the report of the Assistant Director Corporate Services in relation to the corporate risk register as at the end of quarter 4 of the year 2014/15 (1 January to 31 March).

The Director of Finance and Corporate Services said the reference in the report to the Local Strategic Partnership had now been overtaken by events, as the role of that body had been restructured.

Councillor Rolfe said the LSP had four workstreams, Community Safety, Children and Families, Health and Wellbeing, and Economic Development, Environment and Transport. The overseeing board, the LSP, had disbanded itself, because the view had been taken that it did not add value to the work of these groups. The aim would be to bring these workstreams into the council, and a report on how this would be done would be brought to the next meeting of the Council.

The report was noted.

The meeting ended at 8.45pm.

ACTION POINTS

Minute PA4	The annual governance statement to include information in a table format regarding allegations of breaches of the code of conduct.
Minute PA5	The Assistant Director – Finance to explore options for presenting additional lines of information in the Statement of Accounts.
Minute PA10	The Assistant Director Corporate Services to circulate information on recent prosecutions for fly tipping.
Minute PA10	Officers to report to members on whether PI 14a should continue to be presented as a performance indicator, and if not, how and where this information should be monitored.