

MINUTES OF A MEETING OF
 PERFORMANCE SCRUTINY
 COMMITTEE HELD IN THE
 WAYTEMORE ROOM, BISHOP'S
 STORTFORD ON MONDAY,
15 DECEMBER 2003 AT 7.30 PM

PRESENT: Councillor Mrs D L E Hollebon (Chairman).
 Councillors S A Bull, E J Cain, D Clark, A D Dodd,
 A M Graham, G McAndrew, D E Mayes,
 J O Ranger, J P Warren.

ALSO IN ATTENDANCE:

Councillors H G S Banks, M G Carver,
 A P Jackson

OFFICERS IN ATTENDANCE:

John Nowell	- Executive Director (Resources)
Rachel Stopard	- Executive Director (Marketing)
Cliff Cardoza	- Head of Performance
Simon Chancellor	- Head of Accountancy
Dave Cooper	- Performance Officer
Chris Gibson	- Principal Internal Auditor
Simon Hawkins	- Performance Officer
Martin Ibrahim	- Senior Democratic Services Officer
Mary Orton	- Assistant Director (Policy and Performance)
Peter Searle	- Head of Internal Audit
David Tweedie	- Assistant Director (Financial Services)

ALSO IN ATTENDANCE:

Andrew Barnes	- PKF
Rosemary Clarke	- PKF

504 APOLOGIES

Apologies for absence were submitted on behalf of Councillors P R Ballam, R Gilbert, S Newton, L R Pinnell and A L Warman.

505 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Andrew Barnes and Rosemary Clarke of PKF, the Council's External Auditors, who were present for the matter referred to at Minute 507 below.

The Chairman stated that she had changed the running order of the agenda, in order to accommodate the Executive Director (Marketing) and the External Auditors.

506 EXCLUSION OF PRESS AND PUBLIC

The Committee passed a resolution pursuant to Section 100(A)(4) of the Local Government Act 1972 to exclude the press and public during consideration of the business referred to in Minute 512 on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 7,8, and 9 of Part 1 of Schedule 12A of the said Act.

RECOMMENDED ITEM**507 EXTERNAL AUDITORS REPORT**

The Committee received a presentation from representatives of the Council's External Auditors, PKF, on its annual report for the period 2002/03. This included the audit of the Council's final accounts.

Rosemary Clarke began her presentation by referring to the overall conclusions of the audit. She stated that the Authority had been undergoing a period of extensive change, with a new senior management team put in place during the last year. This type of

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change inevitably caused disruption to the operation of the Authority and would take time to properly settle down before the impact of the changes could be fully assessed. Within this context, there were three issues to highlight as follows:

- The Authority had made progress in the development of a more clearly specified performance management framework, linking corporate priorities to specific actions and targets set for services. This was a welcome development and should assist services in focussing on the actions required to achieve improved service delivery. Progress had also been made through the development of the role of scrutiny in the performance arrangements, with regular reporting and monitoring taking place by the Performance Scrutiny Committee.
- The restructuring of senior management had resulted in additional management capacity to assist with the delivery of the corporate priorities. It was too early to assess whether the increased capacity would deliver the improvements to services and achieve value for money for residents, although the progress in developing performance management was encouraging. In the meantime, further work would be required to ensure that all staff in new roles had the skills and support to enable them to deliver services effectively under the new structure.
- It was important to develop clear protocols for the relationships between Members and Officers, to ensure that the roles and responsibilities of the Authority's management and leadership were clearly defined.

Ms Clarke set out PKF's conclusions in respect of the key issues identified in the Outline Audit Plan (OAP)

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agreed with officers in March 2003. These related to:

- **Aspects of Performance Management**
 - **Use of Resources**
 - **Performance Information**
 - **Best Value Performance Plan**

- **Financial Aspects of Corporate Governance**
 - **Legality of Transactions**
 - **Financial Standing**
 - **Systems of Internal Financial Control**
 - **Standards of Financial Conduct and the Prevention and Detection of Fraud Corruption**

- **Accounts**

- **Grant Claims**

Aspects of Performance Management

In respect of the Use of Resources, PKF concluded that the Authority had made good progress with a number of initiatives, although further work was required to ensure that improvements to services and the delivery of corporate priorities were achieved.

In respect of Performance Information, PKF had amended twelve indicators as part of the audit review. Generally, this was because the strict definition for the indicator as defined by the Government, had not been adhered to. PKF recommended that performance indicator definitions be provided to service managers each year with a reminder that information should be collected precisely according to the Government definition.

As far as the Best Value Performance Plan (BVPP) was concerned, PKF concluded that this was once again,

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an accessible and attractive document, which had addressed most of the recommendations made on the 2002 BVPP. Some areas were identified for further development, and these had been included in the action plan, as detailed in the report now submitted.

Financial Aspects of Corporate Governance

In respect of the Legality of Transactions, PKF noted that the Authority had been proactive in investigating the issues around the adoption of an unlawful redundancy policy. PKF concluded that the monitoring arrangements, ensuring that the Monitoring Officer and the Section 151 Officer were consulted on all proposals, should be enhanced further.

In respect of Financial Standing, PKF noted the Authority's budgetary position, and concluded that Members should challenge the base budget assumptions against the corporate priorities and service plans. PKF noted the variances in the Capital Programme, and recommended that greater consideration be given to the capacity of project managers to deliver schemes within agreed timescales.

In respect of Systems of Internal Financial Control, the Authority's wider control environment was found to be adequate. However, PKF suggested that monitoring arrangements should be developed further to ensure that recommendations made by both Internal and External Audit were addressed.

As far as Standards of Financial Conduct and the Prevention and Detection of Fraud and Corruption were concerned, PKF noted that the Standards Committee had not been meeting regularly. It was recommended that the work programme of the Standards Committee be monitored to ensure that Committee Members receive sufficient training to support them in their roles. PKF also referred to the

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financial irregularity at one of the Council's leisure centres, and recommended that Members should consider the wider impact on the risk of fraud of Internal Audit's review.

Accounts

PKF concluded that the Authority's core financial systems were reliable as a basis for preparing the accounts. It was anticipated that an unqualified opinion on the 2002/03 Statement of Accounts would be issued.

Grant Claims

PKF concluded that the arrangements for completing grant claims were generally sound.

Ms Clarke concluded her presentation by referring to the Final Memorandum, which dealt specifically with the Authority's financial accounts and other outstanding issues regarding PKF's work on the financial aspects of corporate governance, and was set out in the report now submitted.

Committee Members asked a number of questions relating to the issue of training for Standards Committee Members and the level of audit fees.

The Committee agreed to receive the Annual report of the External Auditor. On behalf of the Committee, the Chairman thanked PKF for attending the meeting.

RECOMMENDED: that the report of the External Auditor be received.

ACTIONRESOLVED ITEMSACTION508 MINUTES

RESOLVED - that the Minutes of the meeting held on 11 November 2003 be confirmed as a correct record and signed by the Chairman.

509 BEST VALUE REVIEW OF ENVIRONMENTAL STEWARDSHIP

The Executive Director (Marketing) submitted a report seeking approval for the scope of the Best Value Review of Environmental Stewardship.

On 29 July 2003, the Performance Scrutiny Committee had considered options and issues that could be covered by this review and suggested activities that should be included. The Committee asked that a further report be submitted when the Review Steering Group had been established and had fully scoped the review. The Review Steering Group had now met to consider the activities that should be covered by the review. It had taken into account the scope of other work being conducted by the Council and recognised the need to conduct a strategic, cross cutting review which fundamentally challenged whether the Council had the building blocks in place to achieve its vision and priorities with respect to its Environmental Stewardship role.

The Committee agree the scope of the review proposed by the Review Steering Group, as set out in the report now submitted, subject to the comments made on environmental factors in residential areas being taken on board, and the typographical errors being amended.

RESOLVED: that the scope of the Review, as detailed in the report now submitted, be approved, subject to the comments made on environmental

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factors in residential areas being taken on board, and the typographical errors being amended.

510 BEST VALUE REVIEW OF ORGANISATIONAL DEVELOPMENT

The Executive Director (Operations) submitted a report seeking approval for the scope of the Best Value Review of Organisational Development.

On the 29 July 2003, the Performance Scrutiny Committee had considered options and issues that could be covered by this review and suggested activities that should be included. The Committee asked that a further report be submitted when the Review Steering Group had been established and had fully scoped the review. The Review Steering Group had now met to consider the activities that should be covered by the review. The recent Peer Review identified that the Organisation's culture and values and how people were trained and developed were critical to the achievement of the Council's vision and objectives. The Review Steering Group had therefore, modified the scope of the review to address the issues raised in the Peer Review Report at a corporate strategic level.

The Committee agree the scope of the review, as detailed in the report now submitted.

RESOLVED: that the scope of the Review, as detailed in the report now submitted, be approved.

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511 PEER REVIEW REPORT

The Executive Director (Marketing) submitted a report advising the Committee of the results of the Peer Review of East Herts District Council.

The Committee recalled that all Councils were subject to the Government's inspection regime, Comprehensive Performance Assessment (CPA). The Council was currently being inspected by the Audit Commission and this

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would culminate in an on-site visit during the week of 19 January 2004. As part of the CPA process, District Councils were required to commission a 'Peer Review' by an accredited organisation. For East Herts this was conducted by the Improvement and Development Agency (I&DeA) during October this year.

The CPA framework required a minimum three day Peer Review to be conducted and the results were then fed into the formal inspection process. However, the Council opted for a full five day review (at no extra cost) in order to obtain the maximum benefits of this exercise. A review team, including senior officers and Councillors from other authorities, spent a week interviewing officers, Councillors and external stakeholders and assessing Council policies and performance, using a standard methodology.

The Review Team had now produced its report, which was set out in an appendix to the report now submitted. This detailed the strength of the Council and the opportunities to improve. The recommendations of the report had been subject to extensive consideration by senior officers, who believed that it provided a useful snapshot of East Herts and identified some key issues to address as part of the Council's ongoing programme of improvement. Consideration was given to these issues at a recent workshop with service managers and an Action Plan, as set out in the report now submitted had been developed.

The Committee agreed to receive regular progress reports as part of the Council Performance Management reporting framework.

In respect of the Action Plan, the Committee made a number of comments and amendments to the Action Plan.

The Committee approved the Action Plan, as amended.

RESOLVED: that (A) the report of the Peer Review Team be received, and regular progress reports be

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received at future meetings; and

(B) the Action Plan, as amended, be approved.

512 INTERNAL AUDIT SERVICE – OCTOBER 2002 –
SEPTEMBER 2003

The Committee received a report presenting the annual report on Internal Audit activity covering the period October 2002 – September 2003.

The annual report referred to the need for the Internal Audit service to comply with best practice principles contained within the 2003 Code of Practice for Internal Audit. During the period in question, the Internal Audit service had regrettably abandoned its usual practice of utilising an annual audit plan to direct and monitor the use of audit resources. The nature of audit assignments had become predominantly reactive.

The report highlighted four key developments as follows:

- Corporate Governance and Risk Management
- Managed Audit approach
- Opinion system on internal controls
- Residual issues from LSVT

The Committee noted that during 2002/03, quantifiable savings of £1,017,706 were realised which compared with £434,336 in the previous year. In addition, intangible savings would have resulted from improved control and the deterrent effect of an Internal Audit Service. The Committee noted the planned improvements for the Internal Audit service.

The Committee was updated on the internal investigation being carried out relating to Hartham Leisure Centre. The

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Head of Internal Audit dealt with a number of questions posed by Members. In particular, the Committee noted the impact of the investigation work for the workload of the Internal Audit service, and the risk management issues raised by some audits either being delayed or not being carried out.

Councillor A D Dodd moved, and Councillor G McAndrew seconded, a motion that the Executive be requested to consider additional temporary resources for the Internal Audit service to deal with the short term pressures. This was agreed by the Committee.

Councillor J O Ranger moved, and Councillor D E Mayes seconded, a motion that the Executive be recommended to ensure that Internal Audit recommendations be implemented in a timely fashion. This was agreed by the Committee.

On behalf of the Committee, the Chairman thanked the Head of Internal Audit and his staff for their efforts.

RESOLVED: that (A) the report be received;

(B) the Executive be requested to consider additional temporary resources for the Internal Audit service to deal with the short term pressures; and

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(C) the Executive be recommended to ensure that Internal Audit recommendations be implemented in a timely fashion.

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The meeting closed at 9.57 pm

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Chairman
Date