

MINUTES OF A MEETING OF THE  
PERFORMANCE SCRUTINY  
COMMITTEE HELD IN THE  
WAYTEMORE ROOM,  
THE CAUSEWAY, BISHOP'S  
STORTFORD ON MONDAY,  
8 NOVEMBER 2004 AT 7.30 PM

PRESENT: Councillor Mrs D L E Hollebon (Chairman).  
Councillors P R Ballam, S A Bull, A D Dodd,  
R Gilbert, J Hedley, D E Mayes, D Richards,  
J O Ranger, J P Warren.

OFFICERS IN ATTENDANCE:

Miranda Steward	- Executive Director
Rachel Stopard	- Executive Director
Lorraine Blackburn	- Committee Secretary
Simon Chancellor	- Head of Accountancy
Simon Drinkwater	- Assistant Director (Law and Control)
Chris Gibson	- Principal Internal Auditor
Mary Orton	- Assistant Director (Policy and Performance)
Ceri Pettit	- Head of Performance
Peter Searle	- Head of Internal Audit
Dave Tweedie	- Assistant Director (Financial Services)

ALSO IN ATTENDANCE:

Rosemary Clark	- PKF External Auditors
Andrew Barnes	- PKF External Auditors

350 APOLOGIES

Apologies for absence were submitted on behalf of Councillors E J Cain, A M Graham, Mrs S Newton and L R Pinnell.

351 CHAIRMAN'S ANNOUNCEMENTS

The Chairman commented that there would be a joint meeting with the Executive on 7 December 2004. The meeting would commence at 6.30 pm and the topics for discussion would be corporate targets and local performance indicators.

The Chairman commented that item 9 "Internal Audit report" had been withdrawn pending:-

- (a) the resolution of the insurance claim as the Council was still in discussion with the insurers. As such, the claim was still unresolved, and as this might involve a substantial sum of money, this would impact on the report; and
- (b) a further report was in the process of being prepared on the wider management implications in relation to the Hartham Pool and Gym investigation. It was anticipated that this would be concluded shortly for presentation to Members early in the New Year.

Following further consideration and discussion with officers, it was felt that agenda item 10 "Risk Management", should not be considered as containing exempt information and could therefore, be considered as an open public document.

352 DECLARATIONS OF INTEREST

In relation to Minute 353 - External Auditors's report, Councillor S A Bull declared a personal and prejudicial interest on any issue which might involve Stort Valley Housing and would leave the room as soon as it became apparent that such an issue would be discussed.

**RECOMMENDED ITEM**

**ACTION**

353 EXTERNAL AUDITOR'S REPORT

The Assistant Director (Financial Services) submitted a report on the work of the External Auditor. Rosemary Clark of PKF presented the :

- Draft Audit and Inspection Annual Letter 2003/04 - September 2004;
- Final report - October 2004
- Interim report - June 2004
- Outline Audit and Inspection Plan 2004/05 Audit dated August 2004

It was noted that this year, a wider and more comprehensive report had been provided.

The Assistant Director (Financial Services) explained that the Council had a close working relationship with the External Auditors, the aim being to improve the Council's openness and transparency of the auditing process.

Detailed findings and recommendations were appended in the report now submitted.

- *Performance and Performance Management*

PKF noted that an Improvement Plan had been developed to address key issues arising from the CPA Inspection, and was satisfied that progress was being

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actively monitored by Officers and Members.

- ***Legality of Financial Transactions***

PKF had closed the audit for the two years ending 31 March 2003 following the completion of the independent management review of the redundancy process. They noted the progress made in implementing recommendations from the review and the limited resources in Legal Services to respond to legal issues.

- ***Financial Standing***

PKF noted that there was a need to contain 2004/05 costs within budget, that further work was needed to eliminate slippage on the capital programme, and that further action was needed to produce balanced budgets. The report noted that services and financial planning were the key to directing resources in line with corporate priorities.

- ***Systems of Internal Financial Control***

PKF noted that the Internal Audit service was adequate but identified some weaknesses in evidencing where work had been contracted out and this had reduced the effectiveness of Managed Audit arrangements. PKF noted opportunities for developing the Council's internal control arrangements; the need to integrate Internal Audit Planning; and Risk Management. Internal financial control arrangements would be enhanced through Member scrutiny of external audit plans and recommendations.

- ***Standards of Financial Conduct***

PKF stated that the recommendations of the Hartham investigation should be implemented in a timely manner. They noted a recent revision to the Council's

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**Anti-Fraud Corruption Policy and that the Standards Committee had met more regularly during the year.**

- ***Grant Claims and Certification of Returns***

**PKF noted that the Council had adequate arrangements for completing specified grant claims and returns.**

- ***Statement of Accounts***

**PKF noted that subject to the receipt of some financial confirmations, they anticipated issuing an unqualified audit opinion on the 2003/04 financial statements prior to the deadline at the end of November 2004. Core financial systems had provided a reliable basis for preparing the accounts and good quality working papers had been provided to support accounts. The Statement of Internal Control complied with guidance and was consistent with PKF's understanding and knowledge of the Council.**

**The CPA Inspection concluded that the Council was "good" with recent progress made in corporate processes and quality services. The Council's Improvement Plan had since been developed to address key issues arising from the inspection. PKF was satisfied that progress was being actively monitored by Officers and Members. It was noted that the new Code of Practice would change the role of the External Auditor, slightly.**

**PKF's recommendations and an Action Plan to address areas of concern were attached to the report now submitted.**

**Clarification was sought from the External Auditor on a number of issues.**

**Members' welcomed the report and the Chairman, on behalf of Members, thanked Ms Clark and Mr Barnes**

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for attending.

**RECOMMENDED - that the annual report of the External Auditor be received.**

RESOLVED ITEMS

354 COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) IMPROVEMENT PLAN - PROGRESS REPORT

The Executive Director (Head of Paid Service) submitted a report detailing the first quarterly progress on the implementation of the CPA Improvement Plan. Following a CPA Inspection, an authority had a duty to make arrangements to secure continuous improvement. To this end, the Council had met with the Audit Commission's Relationship Manager and the External Auditors (PKF) in May 2004. A draft Improvement Plan was produced as a result, a copy of which was appended to the Officer's report now submitted.

It was noted that of the 68 actions identified:

13%	(9)	had been achieved
44%	(30)	were on target
19%	(13)	had their target revised
24%	(16)	had no commentary

Members were of the view that the plan was a useful document. However, the need to revise targets was questioned. It was suggested that the use of jargon be avoided wherever possible.

**RESOLVED - that the progress report be noted.**

355 RISK MANAGEMENT

The Assistant Director (Law and Control) and Head of Internal Audit submitted a six-monthly report providing feedback and management assurance in relation to action

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plans which had been implemented to mitigate and control risks during the period 1 April 2003 to 31 March 2004. Internal Audit staff were required to undertake annual reviews to confirm the integrity of management assurance statements and to provide an opinion on the systems of risk management. Risk management was now a feature of strategic plans. The project management toolkit which was being launched across the authority, also included risk management.

It was noted that Risk Champions had implemented the majority of planned actions which had minimised any risk and that there were no areas of concern. A summary position as at the end of the 2003/04 financial year was appended to the report. Specifically, in 11 of the 14 risk areas tracked by risk registers, all target mitigation actions had been achieved.

Members noted that although good progress had been made during 2003/04 to embed risk management practice into the activities of the Council, the 2004/05 evaluation of strategic risks and the development of strategic risk registers had not taken place. Further work was also required to introduce a system of identifying and managing operational risks.

The 2003/04 Statement of Internal Control approved by the Executive on 17 August 2004 recognised the need to enhance the system of risk management by developing a robust system for the identification, evaluation and control of operational risks during 2004/05, and that operational risk management would require raised staff awareness and training.

RESOLVED - that the report be received.

356 FORWARD PLAN

The Assistant Director (Policy and Performance) submitted an updated Forward Plan in relation to the work to be

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undertaken by Performance Scrutiny Committee.

RESOLVED - that the report be noted.

The meeting closed at 8.48 pm.

Chairman	.....
Date	.....