

MINUTES OF A MEETING OF  
PERFORMANCE SCRUTINY  
COMMITTEE HELD IN THE  
WAYTEMORE ROOM, THE  
CAUSEWAY, BISHOP'S STORTFORD  
ON TUESDAY, 8 FEBRUARY 2005 AT  
7.30 PM

PRESENT: Councillors: Mrs D L E Hollebon, P R Ballam,  
E J Cain, A D Dodd, R Gilbert, D E Mayes,  
D Richards.

ALSO IN ATTENDANCE:

Councillor M R Alexander, Mrs M Goldspink,  
P Ruffles.

OFFICERS IN ATTENDANCE:

Rachel Stopard	- Executive Director
Miranda Steward	- Executive Director
Lorraine Blackburn	- Committee Secretary
Alaine Clarke	- Research and Information Officer
Dave Cooper	- Performance Officer
Simon Drinkwater	- Assistant Director (Law and Control)
Chris Gibson	- Principal Internal Auditor
Neal Hodgson	- Assistant Director (Regulatory Services)
Declan Hoare	- Interim Assistant Director (Direct and Contract Services)
Mary Orton	- Assistant Director (Policy and Performance)
Bernard Perry	- Assistant Director (Human Resources)
Ceridwen Pettit	- Head of Performance
Peter Searle	- Head of Internal Audit

- |                  |                                                                      |
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| Georgina Stanton | - Assistant Director<br>(Communications<br>and Customer<br>Services) |
| Dave Tweedie     | - Assistant Director<br>(Financial Services)                         |

ALSO IN ATTENDANCE

- |                  |                |
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| Richard Weighell | - PKF Auditors |
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\* APOLOGIES

Apologies for absence were submitted from Councillors S A Bull, A M Graham, G McAndrew, S Newton, L R Pinnell, J O Ranger and J P Warren.

CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed new member of staff Declan Hoare Interim Assistant Director (Direct and Contract Services) to the meeting.

The Chairman referred to items five and six on the agenda in relation to Hartham Pool and Gym, investigation and the Internal Audit Service. She cautioned members on the content of potential questions especially in relation to the fact that they were Part 1 reports.

**RECOMMENDED ITEMS**

ACTION

\* **STRATEGIC PLANS 2005/06 – ACTIONS**

**The Assistant Director (Policy and Performance) submitted a report setting out the Council's strategic plans and the actions for the eight divisions to undertake for 2005/06 in order to meets all of its corporate objectives. The eight strategic Action Plans were appended to the Officer's report.**

***Development Control:***

**The Assistant Director (Regulatory Services) commented on the quality of decision making/ turnaround in relation the Development Control in relation to large developments. He commented on greater participation of the public at Development Control Committee developments and stressed the need for a robust organisation with Development Control.**

**Members sought clarification on a number of issues in relation to:**

- 6.1 The installation of CCTV in towns and the target date**
- 6.2 An alternative to the use of the word “good”.**
- 6.5 the inclusion of 40% in relation to affordable homes**
- 6.8 The use of brownfield sites ie if permission is given by Development Control Committee**
- 6.11 replace “willingness with “encourage”**
- 6.12 ensure that there are links with housing Officers and Development Control Officers as appropriate**
- 6.18 The detail of Town Centre “enhancement” plans.**

***Direct and Contract Services:***

**The Interim Assistant Director (Direct and Contract) Services submitted a report on the strategic plans for Direct Services.**

**Members sought clarification on a number of issues:**

6.6 liaison with CMS and “other voluntary bodies”

6.7 replacement of the word “Blitz” with an alternative

6.9 inclusion of “flytipping”

Members raised the issue of weed control and commented that current methods did not work. He suggested that weeds needed to be physically removed. The Interim Assistant Director assured Members that this was being investigated.

*Financial Services:*

The Assistant Director (Financial Services) commented that the strategic plans would at some point start linking with each other as a result of Government initiatives eg reducing people’s fear of crime and working with other agencies. He explained the processes which had triggered certain actions.

*Human Resources:*

The Assistant Director (Human Resources) commented on issues which had impacted on the Human Resources Division in terms of the development of its strategic plans eg a Comprehensive Performance Assessment and organisational development review. Assurances were given that policies were up to date with the law and best practise.

*Law and Control:*

The Assistant Director (Law and Control) commented on the forthcoming County Council elections in May and the need to look at the Council’s processes. It was noted that the Council had increased the number of telephone on line registration. It was hoped that the Council could develop strategies to get the public involved in local democracy; of changes to the

**Government's White Paper in relation to the Airport were noted and the possibility of creating more work; of a review of the Councils constitutions and strengthening risk management; scrutiny processes and standards training .**

**A Member raised the issue of external audit and buying out services.**

***Policy and Performance:***

**The Assistant Director (Policy and Performance) commented on the pro-active work with the County Council and partners on a number initiatives. The Assistant Director commented on the financial incentives to be gained for the District Council by working with the County. She commented on the three year safety strategy, including the implementation of CCTV schemes in Bishop's Stortford and Ware; the in house Hosing Options Service; the local plans inquiry and the East of England Regional Plan and the need to prepare a detailed response.**

**In terms of improve the health and sustainability of the organisation it was noted that the performance team had established a corporate procurement support service and a robust risk register system.**

**Members sought clarification on a number of issues:**

**6.3 The funding arrangements for the CCTV schemes in Bishop's Stotford and Ware**

**6.13 The commissioning of a further transport study**

***Regulatory Services:***

**The Assistant Director (Regulatory Service) submitted a revised table 6 summary. A Member commented that some of the activities in the strategic plans might best be**

addressed via Community Voice.

***Communications:***

The Assistant Director (Communications) submitted a report on the Communications Strategic Plan. She commented that the division was continuing to delivery the priorities to improve access and public involvement, this included and engagement strategy, AIG targets and a Best Value Review Improvement Plan.

The Assistant Director commented that management of IT now fell to communications and customer services; the implications of the Freedom of Information Act; and the procurement and introduction of CRM (Customer Relationship Management).

A Member commented on a “Citizen’s Account” and referred the issue to the Assistant Director.

6.4 It was suggested that the word “fulsome” be replaced.

**RECOMMENDATION** – that the reports be noted and Members’ comments be referred to the Executive.

RESOLVED ITEMS

MINUTES AND MATTERS ARISING

Minute No 477 - Strategic Plans 2004/05 Monitoring Report (1 April – 30 September 2004).

Strategic Plans for Direct and Contract Services

A Member sought further clarification on the issue of litter and what town was affected and the location of the controlled parking zones.

RESOLVED – that the Minutes of the meeting held on 16 December 2004 be confirmed as a correct record and signed by the Chairman.

### HARTHAM POOL AND GYM – FOLLOW UP INVESTIGATION

The Executive Director (HOPS) submitted a report on the findings of external consultants PKF following an investigation into the weaknesses in the organisation's strategic control framework to safeguard against fraud risks following the Hartham Pool and Gym fraud.

The fraud had arisen over the period since April 2000 and was discovered in October 2003. The fraud involved theft of income and the creation of bogus invoices totalling over £375,000. The manager had been taking unauthorised leave in order to run his own business.

The external review was commissioned to complement the work being carried out by internal audit and was commissioned on the basis of:

- whether management could have intervened earlier
- what role could others have played in detecting the deception
  
- the learning about the culture of the organisation.

The Executive Summary appended to the report provides the conclusions of the external review by PKF and the recommendations arising as a result.

It was noted that the findings would have significant implications for East Herts Council in terms of an opportunity for organisational learning and a requirement for effective management action following the findings.

Richard Weighell, PKF External Auditors, commented that the brief was not to duplicate the work of internal audit but to review it from a higher level of management in terms of the organisation.

PKF concluded that:

- management could have intervened earlier;
- that the role in detection was one of management;
- that there was no appreciation of the risk of fraud or the culture to respond when necessary.

He commented that greater awareness and responsiveness of the performance of the pool might have drawn attention to the fraud earlier. The fraud had occurred because the individual wanted to commit a fraud and was in the right position to do it. There were some warning signs which should have been identified but were not.

Mr Weighell commented on issues in relation to:

- the performance of the pool – falls in income;
- “whistle-blowing” policies – were not in place at the time;
- internal audit – the fraud resumed following a review by audit.

It was the aim to link audit into risk management to improve matters overall.

Concern was expressed by a Member in the Executive summary in relation to the suggestion that elected Members were aware of the business interests of the former Manager. Clarification was sought on the suggestions that the fraud happened because of the number of changes occurring within the Council and lack of



effective monitoring.

Assurances were sought that staff would not lose their jobs because of new “whistle-blowing” policies. Both executive Directors were satisfied that the Council now had in place confidential reporting procedures and that staff in such circumstances would be supported confidentially.

The style of management was questioned especially in relation to the satellite groups of people and the need to make them feel part of the organisations.

The Executive Director (HOPS) was satisfied that with the recommendations put forward by Internal Audit the Council would have in place wider management controls.

Members questioned the length of time that papers be kept on file and requested that they be kept for five years.

Mr Weighell commented that if all the actions recommended by internal audit are put in place then he would be satisfied that the Council had robust internal arrangements in place.

The Chairman, on behalf of Members thanked Mr. Weighell for attending.

RESOLVED – that (A) the recommendations appended to the report be supported,

(B) that Performance Scrutiny Committee receives a progress report taken against these recommendations in six months’ time, and

(C) that all audit papers be kept for a minimum of five years.

#### INTERNAL AUDIT SERVICE – OCTOBER 2003 TO SEPTEMBER 2004

The Head of Internal Audit submitted a report on Internal Audit activity covering the period from October 2004 to

## ACTION

Audit activity covering the period from October 2004 to September 2004 (bridging 2002/03 and 2003/04 audit years) The report also covered key events since September 2004.

During the period from October 2003 to September, 2004 major fraud had been conducted which placed an even greater demand on the section.

The report contained recommendations to continue to improve the service in line with Best Value.

It was noted that the Internal Audit Section had generated savings of £1,935,040 over the years six years up to the end of September 2004.

In relation to the Hartham fraud an interim payment had been received from Zurich Municipal Insurance Limited in respect of the Hartham Fidelity Guarantee Insurance Claim.

The Head of Internal Audit commented that the report had been broken down into three sections, the detail of which was contained in the report ie:

- resource issues, planning improvements, the managed audit, and other Section 151 reviews;
- the Hartham special investigation;
- general themes including change management, corporate governance and external fraud.

How the fraud was carried out was explained. Following a review of procedures the Head of Internal Audit suggested a number of recommendations to address the theft of takings, the submission of fraudulent invoices and the interception of facility hire payments.

The detail of these recommendations was set out in Appendix C of the officer's report.

## ACTION

Officers and the External Auditor were confident that the implementation of these recommendations would tighten controls and considerably reduce the risk of any re-occurrence. An action plan had also been drawn up to address audit issues raised which included:

- making audit planning sensitive to corporate risk management systems as they developed;
- introducing an officer authorisation process for variations to the Audit Plan;
- supplementing the system of six monthly reports to Scrutiny by quarterly report to officers;
- raising fraud awareness via a Newsletter Update to staff.

Other issues addressed in the report included:

- Corporate Governance – a major review in advance of Comprehensive Performance and a review of the Local Code;
- a review of Risk Management;
- the provision by Internal Audit of advice and services in a number of change and project management events including Decriminalised Parking enforcement, market testing of leisure services, Rhodes and corporate procurement initiatives.
- External fraud via bogus invoices and internet attacks (six attacks recently failed totalling £164,000).

The Head of Internal Audit commented that despite resource problems “adequate and effective” audit had been provided

## ACTION

and supported by the External Auditors. A summary of core financial audits were appended to the report which highlighted where internal controls were weak and where managers were failing to rectify ongoing internal control weaknesses. Having said that the level of repeat recommendations highlighting weaknesses had declined since last year.

Members sought clarification on a number of issues:

- whether the internal control framework operated by the Cashiers had been compromised because of a lack of sufficient staff;
- whether the recommendations will prevent further frauds;
- audit agency fees of £39,000 and why this was not considered cost effective;
- the recovery of the balance of the claim from Zurich Municipal Insurance Limited ie the additional costs;
- the ease with which David Buck was able to open bank accounts which was pre the 9/11 attack in the United States
- of the need to investigate the bank's future policies and its "loose methods" in terms of opening accounts;
- on foreign bodies and requests for bogus transfers.

RESOLVED – that (A) the report be received,

(B) the existing level of Internal Audit resources continue with a view to completing the 2004/05 core financial audits and to maintain focus on business critical activities such as providing support to management in strengthening internal controls within

## ACTION

leisure services and providing advice in areas of organisational change such as decriminalised parking enforcement contract and market testing of leisure services. Any residual resources should then be directed toward “rapid reviews” that whilst involve a reduced level of testing will target risk aspects and concentrate on control weaknesses previously identified by Internal and external Audit so as to confirm that management have taken and sustained appropriate remedial action;

(C) the Head of Internal audit report back to Performance Scrutiny Committee in the Spring 2005 to provide additional feed back on Internal Activity during 2004/05;

(D) in Spring 2005, the Head of Internal audit present the proposed 2005/06 Audit Plan and three year Strategic Plan to the Performance Scrutiny Committee for consideration; and

(E) the Head of Internal Audit should resume customer surveying with immediate effect.

### BEST VALUE PERFORMANCE INDICATORS (BVIP) GENERAL SURVEY ADDRESSING THE DECLINE SATISFACTION

The Assistant Director (Policy and Performance) submitted a report which set out how the decline in satisfaction identified in the BVIP General Survey for 2003/04 was being addressed.

The General survey was mailed to 3,200 randomly selected addresses in East Herts. A response rate of 49% was achieved. It was noted that overall performance had fallen for six of the 10 indicators (including sub parts) . Performance had improved for satisfaction with waste collection, waste recycling, parks/open spaces and the benefits services.

The Assistant Director explained the methodology applied to the collection of the 2000/01 data and the data for 2003/04.

## ACTION

This has meant that comparisons could not be made with other authorities for 2003/04.

The report highlighted what steps were being taken to address a decline in the following services;

BV3 – Overall satisfaction (-11%)

BV4 – Satisfaction with complaint handling (-15%)

BV89 – Satisfaction with cleanliness (-8%)

BV119 – Satisfaction with Cultural Services (sports and leisure -7% and theatres/concert halls; -3%)

BV 111 – Satisfaction with the Planning Services (-5%)

The Head of Performance explained the Council's positive ranking in terms of quartile position in relation to BV3, BV4, BV89 and BV111. It was noted that the BVPI was carried out very three years. The Council however undertook its own customer surveys.

In relation to BV119, a Member questioned why the Council undertook to survey a service when it only had one theatre ie Castle Hall.

RESOLVED – that Performance Scrutiny note the progress made in addressing levels of dissatisfaction.

### PERFORMANCE INDICATORS – QUARTERLY MONITORING (OCTOBER – DECEMBER 2004)

The Assistant Director (Policy and Performance) submitted a report presenting the performance statistics for October, November and December for the Council's national and local performance indicators.

It was noted that out of 27 indicators:

## ACTION

16 (59%) were on or above target

6 (22%) were 1-5% off target

5 (19%) were 6% or more off target

Those which were off target by 6% or more were:

LPI3 -% of building sites re-inspected within 3 months

BV109a - % of major applications determined within 13 weeks

BV183b – Average length of stay in hostel accommodation

BV12 – number of working days lost due to sickness or absence

LPI 100 - % of people who leave the authority voluntarily

Members questioned BV109a and the ability to determine a major application within 13 weeks.

RESOLVED – that the report be noted.

FORWARD PLAN: FEBRUARY 2005 – MAY 2005

The Assistant Director submitted a report detailing the business to be determined in the Forward Plan for Performance Scrutiny.

RESOLVED – that the report be noted.

The meeting closed at 9.58 pm