

ST EDMUNDSBURY BOROUGH COUNCIL

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

**Minutes of a meeting held on Monday 30 April 2012 at 4.30 pm
in the Conference Chamber West (F1R09), West Suffolk House, Western Way,
Bury St Edmunds**

PRESENT: Councillor J R Hale (Chairman)
Councillors Mrs Broughton, Cox, Farmer, Mrs Hind,
Mrs R V Hopfensperger, Pugh (Substituting for Mrs Richardson)
Redhead, Simner and Spicer

BY INVITATION: Councillor Ray, Portfolio Holder for Performance and Resources,
and Councillors Griffiths and Nettleton.

55. Apologies for Absence

Apologies for absence were received from Councillors Mrs Hind and Mrs Richardson.

56. Substitutions

No substitutions were declared.

57. Minutes

The minutes of the meeting held on 30 January 2012 were confirmed as a correct record and signed by the Chairman.

Councillor Cox queried what action had been undertaken in respect of the changing facilities at Gainsborough Road Playing Field in Bury St Edmunds recorded in minute 40, Review of Capital Programme, of the minutes of the meeting held on 28 November 2011. The officers agreed to update Members if necessary.

In response to a question regarding Minute 54, the Chairman reported that he would be representing the Committee on the Overview and Scrutiny Committee Task and Finish Group reviewing the Anglia Revenues Partnership.

58. Declarations of Interest

Members' declarations of interest are recorded under the item to which the declaration relates.

59. Internal Audit Charter

The Committee considered Report C450 (previously circulated) which sought approval on the revised Internal Audit Charter.

The Chartered Institute of Public Finance and Accountancy Code of Practice for Internal Audit in Local Government 2006 required the Council to formally define the nature, role, responsibilities and reporting lines of Internal Audit in Terms of Reference (Internal Audit Charter) consistent with the Code. The Charter also described arrangements to ensure the adequacy of the Internal Audit Section's independence, access rights and resources.

A recent review of the Internal Audit Charter had resulted in a small number of amendments being made to the document to ensure it remained accurate, and in line with good practice. The most significant amendment was the inclusion of the Internal Audit shared service arrangement between the Borough Council and Forest Heath District Council. The Committee noted that this amendment did not reflect any change to the Internal Audit service currently delivered to the Borough Council, but was intended to ensure that the Internal Audit Charter remained reflective of actual service provision arrangements.



RECOMMENDED:-

That the revised Internal Audit Charter, attached as Appendix A to Report C450, be approved.

60. Internal Audit Strategy

The Committee considered Report C451 (previously circulated), which sought approval for the amended Internal Audit Strategy.

The Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 required the Head of Internal Audit to produce a high level Audit Strategy of how the Internal Audit service would be delivered and developed in accordance with the Internal Audit Charter, and how it linked to organisational objectives and priorities.

A recent review of the Internal Audit Strategy had resulted in a small number of amendments being made to the document to ensure it remained accurate and in line with good practice. The most significant amendment was the inclusion of the Internal Audit shared service arrangement between the Borough Council and Forest Heath District Council. The Committee noted that this amendment did not reflect any change to the Internal Audit service currently delivered to the Borough Council, but was intended to ensure that the Internal Audit Strategy remained reflective of actual service provision arrangements.

The Committee noted that the Strategy would be reviewed each year to confirm that it remained accurate and up to date, and that any significant and necessary changes would be reported to it.

RESOLVED:-

That the Internal Audit Strategy, attached as Appendix A to Report C451, be approved.

61. Internal Audit Annual Report 2011/2012, Review of the Effectiveness of Internal Audit, and Outline Audit Plan 2012/2013

The Committee considered Report C452 (previously circulated) which sought approval for the Outline Audit Plan for 2012/2013, reported on the work of the Internal Audit Section during 2011/2012, and reviewed its effectiveness as part of the wider review of the overall system of internal control required for the production of the Annual Governance Statement.

The Chartered Institute for Public Finance and Accountancy Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code), stated under 'Standard 10 – Reporting' that the Audit Manager should provide a formal annual report to the organisation, and set out a number of areas that the report must include. The report advised the Committee of the work of the Internal Audit Section in 2011/2012.

Appendix A to the report provided an overview of the work of the Section, and a summary of key findings. Appendix B detailed progress made during the year in developing anti-fraud arrangements and actions taken where fraud or misconduct had been identified. Appendix C was the proposed outline Audit Plan for 2012/2013. Appendix D provided a list of auditable areas which were not core financial systems or fundamental review work showing which of these had been included in the draft Audit Plan. Finally, Appendix E provided an overview of the work undertaken, primarily in the form of self-assessment checklists, to fulfil the requirement for an annual review of the effectiveness of internal audit, which covered both the Internal Audit Section and the Performance and Audit Scrutiny Committee.

The Audit Manager drew relevant issues to the attention of the Committee. He stated that based on the work undertaken during 2011/2012, as well as assurances made available to the Council by other assurance providers, Internal Audit could provide reasonable assurance that the systems of internal control within these areas of the Council, as well as the risk management systems, were operating adequately and effectively. The work of the Section, however, identified a number of areas where existing arrangements could usefully be improved, and details of the main areas were provided in Appendix A. It was also stated that the Internal Audit Section had continued to work closely with the Audit Commission by sharing systems documentation, and feeding back any necessary amendments to this systems documentation arising from Internal Audit work undertaken.

In response to a question, the Audit Manager informed the Committee that the Internal Audit Section issued a customer satisfaction questionnaire with every audit. The questionnaire asked for auditees' opinion on a range of issues, and also sought their views on how the Internal Audit Service could be improved and developed. A summary of the results from the customer satisfaction surveys completed was included within the report.

In response to a further question, the Committee was advised that a total of 17 questionnaires were issued and that seven had been returned. It was usually the responsibility of the relevant line manager or appropriate Head of Service to complete and return the questionnaire. The Committee considered that the rate of return of the questionnaires was poor and a more proactive approach should be undertaken in ensuring these were received.

The Committee held a wide ranging discussion and many points of clarification were sought including on systems for preventing potential money laundering, procurement regulations, and the amalgamation of systems with those of Forest Heath District Council. The statistics produced regarding the collection of fraud debt in 2011/2012 and comparisons with the figures for 2010/2011 were discussed as well as clarification of the roles and responsibilities for chasing debt between the service staff and those within the finance team.

RESOLVED:-

That the Outline Audit Plan for 2012/2013, attached as Appendix C to Report C452, be approved.

62. Audit Commission: Presentation of Audit Plan: Audit 2011/2012

The Committee received and noted Report C453 (previously circulated), which set out the work for the 2011/2012 audit which the Audit Commission proposed to undertake for the audit of financial statements and the Value for Money conclusion.

Neil Harris, District Auditor and Engagement Lead, drew relevant issues to the attention of the Committee, and in particular information regarding Table 1, Significant Risk, and reference to the new accounting requirement in respect of Heritage Assets. He also stated that the work on the Anglia Revenues Partnership would be undertaken with co-operation of other auditors involved with the Partnership. On the work undertaken to date, he considered there were no significant risks associated with the Value for Money element of the audit, and considered this should not form a significant part of the audit work on this occasion. He emphasised that the audit team would be of similar composition to that involved in previous years, and that Melanie Richardson would continue as the Audit Manager, and Mike Wood as the Audit Team Leader.

The key milestones and deadlines were noted by the Committee, in addition to the details of fees to be charged, and reports to be received by the Committee during the year.

63. Audit Commission: Presentation of Certification of Claims and Returns Annual Report

The Committee received and noted Report C454 (previously circulated), which summarised the Audit Commission's outcomes of its certification work on the Borough Council's 2010/2011 claims and returns.

Neil Harris, District Auditor and Engagement Lead, drew relevant issues to the attention of the Committee. He stated that local authorities claimed large sums of public money in grants and subsidies from central government, and other grant paying bodies, and were required to complete returns providing financial information to government departments. The certification work provided assurance to those grant paying bodies that claims for grants and subsidies were made properly, and that information in financial returns was reliable. The report summarised the outcomes of the certification work on the Borough Council 2010/2011 claims and returns.

The Committee noted that the value of claims and returns examined by the external auditors was in excess of £74 million, and that the value of the amendments made totalled £1,673.

In response to questions, the Committee was informed as to the reasons for the difference in audit fees associated with this certification work quoted in this report and the previous report. The Committee was also informed that the work on the grant for the 'Single programme – Cattlemarket Project' related to the grant provided by the East of England Development Agency.

64. External Audit Fees for 2012/2013

The Committee received and noted Report C455 (previously circulated) which informed of the external audit arrangements for 2012/2013, and the proposed reduction in fees.

The Audit Commission had outsourced the work of its in-house audit practice, and confirmed that it had awarded five-year audit contracts to four private firms. The East of England contract had been awarded to Ernst & Young.

The Audit Commission had been able to secure significant reductions in the cost of audit services, together with further savings achieved through its own internal efficiencies, as a result of which the planned audit fee would reduce from £95,760 in 2011/2012 to £57,456 in 2012/2013.

Neil Harris, District Auditor and Engagement Lead, drew relevant issues to the attention of the Committee. He stated that the five year contract awarded to Ernst & Young would commence from 1 September 2012, and that relevant staff of the Audit

Commission would be transferred across on that date. In response to questions, Neil Harris informed the Committee that:-

- (1) the reduction in fees amounted to 40%, and this percentage reduction was applicable to all local authorities within Suffolk; and
- (2) the 40% reduction in fees also applied to the work in respect of certification of claims and returns.

In response to a question, the Chief Finance Officer informed the Committee that the 2012/2013 budget had allowed for a reduction in fees, but not on the level currently stated. She anticipated that any underspend on fees would be used to contribute towards the 2013/2014 budget gap.

The Committee noted that the actual fees paid may differ depending on issues identified through the course of the audit.

(Councillor Mrs R V Hopfensperger left during the consideration of this item. Councillor Griffiths and Neil Harris left the meeting at the end of the consideration of this item.)

65. Key Performance Indicators: Fourth Quarter 2011/2012

The Committee considered Report C456 (previously circulated) which was the fourth quarterly performance monitoring report for 2011/2012 for the Key Performance Indicators (KPIs).

Attached as Appendix A to Report C456 was the quarterly report of Key Performance Indicators data covering the period 1 January to 31 March 2012.

The columns included in the table, and a description of the data they contained, were as follows:-

- (1) the performance indicator giving details of what was being reported, including indicator code and a short description;
- (2) the annual target;
- (3) columns showing the performance (value) and target for each quarter;
- (4) the quarterly traffic light icon, which reflected the status of the KPI, quarterly performance against target;
- (5) the short term trend arrows, which compared the current quarter with the previous quarter. A downward arrow indicated a negative trend regardless of calculation method of indicator;
- (6) the comparison column showed the 2011/2012 performance to date against the 2010/2011 performance; and
- (7) the notes column provided an opportunity to explain performance and identify any actions to improve performance.

The report provided KPIs in respect of 42 items, of which seven had red indicators, five amber, 14 green, 11 were contextual indicators and data was not available for five items.

The Committee discussed the number of indicators, and in response to questions was informed:-

- (1) that the 'agreed tolerance', was applicable to individual indicators, and there was not a 'blanket' level of tolerance;
- (2) of the current staffing issues associated with the Planning Section;
- (3) that regarding Indicator 16, 'Number of Long Term Empty Properties Brought Back Into Use', the target was set to take account of where the Borough Council made direct intervention; and
- (4) concerning waste collection and street and environment cleanliness KPIs, the information would be available for the next report in respect of KPI 38, however KPIs 39 to 42 would no longer be reported in the same format.

A detailed discussion was held regarding KPI 11, 'Visitors to Nowton/East Town and Abbey Gardens.' The Committee was informed that further refinement of the statistics would be undertaken when staff had completed their work associated with the Olympics, and it was hoped that the information would become more sophisticated. Although it was recognised that the KPI for visitor numbers was divided between museums and parks, the Committee decided that they should receive information on individual locations and, therefore, this level of detail be included within the next report.

A detailed discussion was also held on the delivery of affordable housing, contained within Appendix 1 of the report. In response to questions, the Committee was informed that the data in respect of Lethrede (Risby) and Beetons Cottages did not relate to the number of properties but to the number of household units, since these schemes were conversions to provide specialist supported accommodation for adults with special needs. This method of recording was the standard national model. However, the Committee considered that the reporting format should be amended, and that a possible solution would be to have two columns, with one column showing the number of properties in a particular scheme, and the other column the number of separate household units contained within them.

RESOLVED:- That

(1) **Visitor Numbers**

The Key Performance Indicator report record the number of visitors against each individual location in respect of parks and museums; and

(2) **Affordable Housing**

The report to clearly identify the number of properties and household units in respect of the delivery of affordable housing.

66. Biannual Corporate Complaints and Compliments Digest

The Committee received and noted Report C457 (previously circulated) which was the Biannual Corporate Complaints and Compliments Digest covering the period 1 October 2011 to 31 March 2012.

The aim of the Digest was to provide an overview of the quantity and range of corporate complaints, those complaints monitored by the Chief Executive's Office, that the Council received, as well as monitoring effectiveness at responding and learning from any mistakes that had been made. 25 complaints had been received between

October 2011 and April 2012. In addition, the report highlighted the 29 compliments which had been received across the Authority during the reporting period.

The Policy, Performance and Customer Service Manager drew relevant issues to the attention of the Committee. In particular, she stated that in order to align processes across both Forest Heath District Council and the Borough Council it had been agreed to change the Borough Council's target for dealing with complaints to 20 working days, from 15 working days. This change had taken place from 1 April 2012. It was noted that the 20 working day target was used by most local authorities within Suffolk, and was consistent with the Borough Council's target for responding to Freedom of Information requests, which was also 20 working days.

67. Budget Monitoring Report: 1 April 2011 to 29 February 2012

The Committee received and noted Report C458 (previously circulated) which was the budget monitoring report for the period ended 29 February 2012.

Attached to the report was the general budget monitoring report which indicated an overall underspend of £445,000, and a year end forecast underspend of £104,000. An explanation of variances over £10,000 was attached as Appendix B. Underspends on budget totalled £749,000, and income above budget was £623,000. Adverse variances included overspends on budget of £641,000 and income below budget of £323,000.

The capital budget monitoring report showed net expenditure of £783,000 for the period compared to a revised full year capital budget of £3.22 million. As in previous reports, the underspend was due to slippage in the programme. The capital disposals programme showed capital receipts for the period of £551,000, against the full year disposals estimate of £2.19 million. Details of these disposals were provided in Appendix D.

A detailed discussion was held regarding the financial performance of The Apex, and it was concluded that this cost centre should be the subject of a specific report at a future meeting of the Committee. However, the Committee was informed that the Cabinet would be receiving an extensive report arising from a two year review of the operation of The Apex, and, if required, the Committee could also receive this report. The Committee wished to receive a copy of this report as background to any budget monitoring information they received themselves.

Councillor Nettleton informed the meeting that the capital allocation in respect of the 'St Johns Street Arch' needed to be reviewed as he understood that this was not now to be constructed, and the Chief Finance Officer agreed to check with the Economic Development Section.

Arising from the discussion on capital receipts, the Committee was informed that the Council placed building covenants on sales of land where applicable.

(Councillor Farmer left the meeting at the conclusion of this discussion of this item.)

68. Corporate Risk Register: Quarterly Monitoring Report

The Committee received and noted Report C459 (previously circulated), which was the quarterly monitoring report in respect of the corporate risk register.

The Committee had the responsibility of keeping the corporate risk register under quarterly review and for advising the Cabinet whether:-

- (a) the actions planned to mitigate the identified risk were adequate; and
- (b) whether there were any other risks that should be added to the register.

The report provided a traffic light system whereby:-

- (1) Green indicated a low risk;
- (2) Amber indicated a medium risk; and
- (3) Red indicated a high risk.

The latest copy of the revised risk register was attached as Appendix A to the report. One new risk had been added, 'Risk 55: Localisation of Business Rates and Council Tax and Council Tax Benefits'. No risks had been closed, and five residual risk colours had changed.

A discussion was held on a number of risk indicators in which it was concluded that training should be provided for all Members of the Council in connection with 'Risk 55, Localisation of Business Rates and Council Tax Benefits', perhaps as part of the next training session on Local Government Finance.

(Councillor Mrs Hind left the meeting during the discussion on this item.)

69. Annual Procurement Report 2011/2012

The Committee received and noted Report C460 (previously circulated) which highlighted the progress made on procurement during 2011/2012 and procurement savings achieved during the same period, as detailed in Appendix A.

The Committee noted the following progress during 2011/2012:-

- (1) procurement savings totalled £454,367, and were detailed in Appendix A. These savings were the result of significant work across a range of sections within the Borough Council which were generally led by the Procurement Manager;
- (2) an electronic tendering system was implemented, which was used by all local authorities in Suffolk;
- (3) an electronic contract management system was also 'rolled out' at the Borough Council, and was, again, a joint initiative of all local authorities in Suffolk;
- (4) all central government departments had adopted a policy to publish any quotation or tender opportunity above £10,000. This was an option for local authorities. The Borough Council had proactively adopted this policy, and currently published all quotation or tender opportunities above £10,000;
- (5) a number of collaborative procurement initiatives had been supported;
- (6) the Procurement Manager was continuously supporting Sections to find collaborative working opportunities by working closely with the Countywide Procurement Officers' Group in Suffolk; and
- (7) in line with the Shared Services agenda, the Borough Council's Procurement Manager was working closely with Procurement Officers at Forest Heath District Council.

A discussion was held on Appendix A, the procurement savings record for 2011/2012, and the Committee was informed that:-

- (1) the savings on insurance services from the tender exercise undertaken in 2009/2010 was attributed to 2011/2012 because this was when the insurance policies were renewed;
- (2) the £16,000 'one-off' savings for the mobile telephony contract should not have been included in the total of amount saved per annum; and
- (3) details of the savings to the Borough Council of purchasing fuel with Forest Heath District Council would be provided to the Committee via a written response.

The meeting concluded at 6.41 pm.

**J R HALE
CHAIRMAN**