

## **EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Finance and Performance Management Cabinet Committee      **Date:** Monday, 3 April 2006

**Place:** Civic Offices, High Street, Epping      **Time:** 6.10 - 7.45 pm

**Members Present:** J Knapman (Chairman), S Barnes and D Jacobs

**Other Councillors:** R Glozier and Mrs D Collins

**Apologies:** Mrs C Pond and C Whitbread

**Officers Present:** J Akerman (Chief Internal Auditor), P Haywood (Joint Chief Executive), G Lunnun (Democratic Services Manager), P Maddock (Assistant Head of Finance), R Palmer (Head of Finance), J Scott (Joint Chief Executive) and T Tidey (Head of Human Resources and Performance Management)

**Also Present:** P King, I Davidson, G Bemrose, L Wishart (Audit Commission) (for agenda items 1-5)

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### **44. MINUTES**

#### **RESOLVED:**

That the minutes of the meeting of the Committee held on 31 January 2006 be taken as read and signed by the Chairman as a correct record.

### **45. DECLARATIONS OF INTEREST**

No declarations of interest were made pursuant to the Council's Code of Conduct.

### **46. ANY OTHER BUSINESS**

It was reported that there was no urgent business for consideration at the meeting.

### **47. AUDIT COMMISSION - DETAILED REPORTS**

The Audit Commission representatives presented the Annual Audit and Inspection Letter, which was a summary of the work performed during the year and the main conclusions that had been derived from that work. Members noted that the letter for 2004/05 included the new Direction of Travel Report and that key messages were given in respect of:

- (a) Council performance;
- (b) the accounts;
- (c) financial position; and
- (d) other accounts and governance issues.

The Annual Use of Resources Assessment evaluated how well councils managed and used their financial resources. It was a more stringent test than the auditor scored judgements that formed part of the Comprehensive Performance Assessment framework up until 2004. The Assessment focused on the importance of having sound and strategic financial management to ensure that the resources were available to support the Council's priorities and improve services. Five themes were covered by the Assessment:

- (a) financial reporting;
- (b) financial management;
- (c) financial standing;
- (d) internal control; and
- (e) value for money.

The Audit and Inspection Plan set out the audit and inspection work that the Audit Commission proposed to undertake in 2006/07. It had been drawn up based on the Audit Commission's risk-based approach to audit planning and reflected:

- (a) the code of audit practice;
- (b) audit and inspection work specified by the Audit Commission for 2006/07;
- (c) local risks and improvement priorities; and
- (d) current national risks relevant to local circumstances.

In relation to performance the reports acknowledged that the Council was in a period of significant change including a refocusing of corporate objectives, a revision of the performance management system and service delivery reviews. The report concluded that the impact of these changes and outcomes for local residents was not yet clear. The Council's performance was mixed with 58% of performance indicators below the average for all district councils in England and 48% improving since 2002/03.

The reports advised that the draft financial statements had been approved by Council prior to the statutory deadline of 31 July 2005. However, following material amendments made as a result of the Audit, the accounts had been re-approved on 27 October 2005 and an unqualified audit opinion had been given on 28 October 2005.

The reports acknowledged that the Council was in a sound financial position and had established proper arrangements to monitor its financial position and take appropriate remedial action when necessary.

Overall the Council had been found to have arrangements in place to ensure the proper conduct of its financial affairs but it was suggested that risk management arrangements needed to be improved.

The reports recommended that the Council:

- (a) improve the systems in place to ensure value for money was being delivered in all service areas;

- (b) ensure that the new performance management system was embedded and used effectively so that it contributed towards demonstrable and sustained improvement in service areas;
- (c) ensure that the process to produce the accounts for 2005/06 and future years resulted in accounts that were free from material error and complied with the CIPFA/LASAAC statement of recommended practice; and
- (d) continue to progress with risk management agenda to ensure it was embedded throughout the Council.

P King advised that district councils were not being scored on their direction of travel this year but were likely to be scored in the future.

Members noted that the use of resources judgement was a new assessment which focused on financial management but linked to the strategic management of the Council. It looked at how the financial management was integrated with strategy and corporate management, supported Council policies and delivered value for money. It would be carried out annually, as part of each council's external audit and it was anticipated that in the future the use of resources judgements would form part of the CPA framework. The Council's arrangements had been assessed in five areas:

<b>Element</b>	<b>Assessment</b>
Financial reporting	1
Financial management	3
Financial standing	2
Internal Control	2
Value for money	2
Overall	2

(1 = lowest, 4 = highest)

The Audit Commission representatives advised about the most significant areas where they considered that further development was needed. They pointed out that the final accounts process needed to be improved to ensure that the accounts were statement of recommended practice compliant and free from material error and were supported by adequate working papers. They also advised that the Council needed to consult the public on how they wanted to receive summary financial information relating to the accounts and whether or not they would like the Council to produce an annual report. It was suggested that the Council should develop monitoring information for sundry debts to evaluate the effectiveness of recovery actions, associated costs and the cost of not recovering debts promptly.

It was recommended that the Council should ensure that the risk management strategy or policy in place required it to identify corporate and operational risks, assess the risks for likelihood and impact, identify mitigating controls, and allocate responsibility for the mitigating controls. Finally, it was recommended that the Council should maintain a register of its corporate business risks linking them to strategic business risks and assigning ownership for each risk.

Members questioned the Audit Commission representatives on the reports. They asked why the overall assessment was not higher and sought clarification of the significant areas where it was considered further development was needed.

P King explained the scoring process laid down by the Audit Commission. In relation to the final accounts he agreed that since the report had been prepared the Council had improved its final accounts process. In relation to the provision of summary financial information to the public, he explained that the issue was a need to consult with stakeholders on what they required. If as a result of consultation it became apparent that there was no need for additional information to be supplied there would be no compulsion to produce it. He pointed out that in some other authorities questions regarding the provision of financial information were included in other consultation exercises undertaken from time to time.

The Audit Commission representatives acknowledged that local government accounting was extremely complex and that the errors made in the draft accounts had no effect on the bottom line figures or the level of Council Tax.

I Davidson advised that he would be happy to discuss suggested inaccuracies in the reports but he pointed out that overall the picture showed that there had been some decline in the Council's position, mainly as a result of the significant changes taking place.

The Audit Commission representatives acknowledged that the reports were not written in everyday language, as they needed to address technical accounting issues. They agreed that this made it difficult for understanding by non-auditors or non-accountants. I Davidson reported that some pilot work was being undertaken on producing more easily understood reports in the future.

Reference was made to graphs which had been included within the first draft of one of the reports but had been omitted as a result of being questioned by Council officers. P King advised that the data on which the graphs had been based had been correct but that the message given had been wrong. Despite this he stated that the graphs had been included in the reports on some other authorities.

In conclusion, the members questioned the relevance and purpose of the whole process as it appeared to them that the Audit Commission was not comparing like with like.

**RECOMMENDED:**

- (1) That the contents of the reports "Annual Audit and Inspection Letter", "Use of Resources Audit Score Feedback" and "Audit and Inspection Plan 2006/07" be noted; and
- (2) That the areas for improvement identified be noted and that the proposed Audit Plan for 2006/07 be agreed.

**48. RISK MANAGEMENT**

The Head of Finance presented a report and Corporate Risk Register produced by Zurich Municipal. The Committee noted work which had been undertaken by certain members and officers in relation to the production of the updated Corporate Risk Register. A list of key risk issues had been identified, consolidated and prioritised. The Head of Finance advised that once the register had been adopted, action plans

would be developed to manage the key risks that had been prioritised. It was suggested that the action plans would be developed through an officer risk management group and placed before this Committee for approval. It was also proposed that this Committee would then review the action plans and the Corporate Risk Register twice a year.

**RECOMMENDED:**

- (1) That the Corporate Risk Register produced by Zurich Municipal be adopted; and
- (2) That action plans be submitted to this Committee for approval and that updates on the action plans and the Corporate Risk Register be submitted to this Committee twice a year.

**49. INTERNAL AUDIT BUSINESS PLAN - 2006/07**

The Committee considered the draft Internal Audit Business Plan for 2006/07.

Members noted that the Overview and Scrutiny Committee had considered the Plan at their meeting on 2 March 2006. The Committee had been informed that the Plan incorporated reviews of the Waste Management Contract and the Leisure Transfer Contract. The Chairman of that Committee had requested that the time spent on finance audits be kept under review, in view of the fact that this Council spent more time on some of these audits than other authorities. The Overview and Scrutiny Committee had resolved that the draft Audit Plan be noted and endorsed and that the task of scrutinising the Plan for future years be delegated to the Finance and Performance Management Scrutiny Panel.

**RESOLVED:**

That the draft Internal Audit Business Plan for 2006/07 be approved.

**50. CORPORATE GOVERNANCE GROUP**

The Committee considered the minutes of a meeting of the Corporate Governance Group held on 8 March 2006.

**RESOLVED:**

That the issues considered by the Corporate Governance Group be noted.

**51. EXCLUSION OF PUBLIC AND PRESS**

**RESOLVED:**

That the public and press be excluded from the meeting for the item of business set out below on the grounds that it would involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 and it is considered that the exemption outweighs the potential public interest in disclosing the information:

<b>Agenda Item No.</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
10	Corporate Governance Group	2

**52. CORPORATE GOVERNANCE GROUP**

The Committee considered a restricted minute from the meeting of the Corporate Governance Group held on 8 March 2006.

**RESOLVED:**

That the minute and the action arising be noted.

**CHAIRMAN**