

# Minutes

## Audit Committee

9<sup>th</sup> September 2010



Councillors	Present	Councillors	Present
G Cohen (Chairman)	Yes	D M Reid	Apologies
D L Hume	Apologies	Mrs J A Smith	Yes
M Lynch	Apologies	F Swallow	Apologies
Mrs J M Money	Apologies	S M Walsh	Yes

### In attendance:

Trevor Wilson	Head of Finance
Phil Myers	Financial Services Manager
Lesley Day	Audit, Insurance and Risk Manager
Tracey Headford	Performance and Management Coordinator
Steve Bore	Scrutiny Manager
David Eagles	PKF (External Auditors)
Alison Langridge	PKF (External Auditors)
Alison Webb	Member Services Officer

### 17 DECLARATIONS OF INTEREST

**INFORMATION:** The following interest was declared:-

Councillor Walsh declared a personal interest in Agenda 9 (a) – Reports from PKF, Risk Assessment Update, as he was the Essex Police Authority's representative on Essex County Council's Pension Board.

In accordance with the Code of Conduct Councillor Walsh remained in the meeting for this item and he took part in the debate and decision thereon.

### 18 MINUTES

**DECISION:** That the minutes of the meeting of the Audit Committee held on 30<sup>th</sup> June 2010 be approved as a correct record and signed by the Chairman.

In discussing Minute 10 – Strategic Risk Management, it was stated that a list of statutory Council services was being collated and that details of these would be reported to the Overview and Scrutiny Committee.

### 19 QUESTION TIME

**INFORMATION:** There were no questions asked or statements made.

**(a) Update on Quarter 4 2009/10 and Annual Performance Monitoring Report 2009/10**

**INFORMATION:** Consideration was given to a report updating the Performance Report for Quarter 4 2009/10 and Annual Performance Monitoring Report for 2009/10. The report included information relating to the out-turn of three annually reported indicators ( BV 86, NI 196 and CHLP 10) which had not been available when the original performance reports had been published.

**DECISION:** That the update on the Performance Report for Quarter 4 2009/10 and the Annual Performance Monitoring Report for 2009/10 be received and noted.

**(b) Quarter 1 2010/11**

**INFORMATION:** The Committee considered a Performance Management report for the First Quarter of 2010/11. This provided details of projects and performance indicators which had a red or amber status.

In responding to questions, the Performance and Management Coordinator reported as follows:

- Indicator BV 12b - Working days lost due to sickness absence: Long term. The overall sickness target for the Quarter had been achieved as short-term sickness had reduced. It was stated that a regular sickness monitoring report was submitted to Management Board and that the Performance and Efficiency Programme Board had requested statistics on short-term and long-term sickness.

- NI 157b – Processing of planning applications: Minor applications within 8 weeks.

In considering this indicator, a Member questioned whether the processing of licensing applications for eg. premises licences and Hackney Carriage/Private Hire driver and vehicle licences was subject to a similar monitoring system. In response, the Performance and Management Coordinator indicated that she would clarify whether there were statutory performance targets relating to these services.

**DECISION:** That the Performance Report for Quarter 1 2010/11 be received and noted, subject to an update being presented to a future meeting of the Committee on whether the processing of licensing applications is subject to a performance target which should be monitored.

**21 PUBLICATION OF PLANNING REPRESENTATIONS ON THE COUNCIL'S WEBSITE**

**INFORMATION:** Members were reminded that a claim had been made against the Council in December 2009 relating to an alleged defamation of character which had been contained in a planning application representation published on the Council's web site. On 15<sup>th</sup> April 2010 the Audit Committee had requested that consideration should be given to introducing new arrangements for handling representations on planning applications so that the risk of further claims could be reduced. It was proposed that a

'pending file' system should be introduced to enable Officers to read and assess all letters of representation before these were published on the web site.

At present, letters of representations received in the post were scanned, downloaded to the web site and then passed to the Case Officer. Letters of representation received as E-Mails via the web site were classed as 'public' and were automatically downloaded to the web site; a copy was then printed and passed to the Case Officer. In both cases representations appeared on the Council's web site before being assessed.

Members were advised that currently it was not possible for electronic representations to be 'held' pending assessment, but that software could be installed which would initially treat representations received via E-Mail as 'sensitive'. Once vetted, these representations could be re-classified as 'public' and made available for viewing on the web site. The cost of the software would be £900. Letters of representation received by post could also be subject to the same vetting procedure before being made available for viewing on the web site.

It was reported that a 'pending file' system had been operating on a trial basis for the past month. During the trial, representations had been vetted daily and two letters/E-Mails had been redacted.

As part of the process, the letter sent to neighbours advising them about a planning application had been reworded to make it clear that any letters with potentially defamatory comments would not be published on the web site, or considered as part of the decision making process. This information had also been repeated on the web site.

**DECISION:** That the introduction of a 'pending file' system to enable Officers to vet the content of planning application representations before they are published on the Council's website be supported and requisite software purchased at a cost of £900.

## 22 INTERNAL AUDIT ACTIVITY REPORT TO 31ST JULY 2010

**INFORMATION:** Consideration was given to a report on the reviews which had been undertaken by Internal Audit from the beginning of April 2010 to 31<sup>st</sup> July 2010.

In discussing the assessment of the contracts process, it was noted that a report on procurement rules would be submitted to the next meeting of the Audit Committee. With reference to the assessment of the licensing function, a Member expressed concern about the time it was taking for some licence applications, for example Hackney Carriage and Private Hire drivers, to be reported to the Drivers' Panel for consideration. It was indicated that this could be considered as a future area for Audit review depending on the reasons for the delay.

**DECISION:** That the Internal Audit Activity Report as at 31st July 2010 be accepted.

## 23 REPORTABLE RECOMMENDATIONS – HALF YEARLY UPDATE

**INFORMATION:** Members received a half yearly update report as at September 2010 on the implementation of Internal Audit activity report recommendations which had been designated as 'high' when previously reported to the Audit Committee.

**DECISION:** That the status of the reportable recommendations be noted.

**(a) Risk Assessment Update**

**INFORMATION:** Reference was made to a letter dated 16<sup>th</sup> July 2010 which had been received from PKF (External Audit) updating the Council on areas of risk.

External Audit was required to inform the Council about areas of significant risk which needed additional or special audit procedures. Details of the risk assessment undertaken had been reported in PKF's Annual Audit Plan 2009/10 issued in December 2009. A more detailed assessment of risk had subsequently been carried out which had identified no additional significant financial risks, but had concluded that two risks, namely the car parking partnership and the pension fund discount rate, could be removed as they were no longer considered to be significant.

**DECISION:** That the content of PKF's letter dated 16<sup>th</sup> July 2010, setting out their updated assessment of the Council's significant financial risks, be noted.

**(b) Annual Governance Report 2009/10**

**INFORMATION:** Consideration was given to PKF's (External Audit) draft Annual Governance Report 2009/10. It had been concluded that the Council's key financial systems were generally adequate, that an unqualified 'true and fair' opinion could be issued with respect to financial statements, and that an unqualified value for money conclusion would be issued. In an update to the report, an addition to Appendix A: Action Plan was circulated at the meeting.

Particular reference was made to Appendix B: Uncorrected Misstatement of the report. This indicated the potential difference recorded during PKF's audit which had not been adjusted for within the financial statements. Specifically, the Council had identified assets which were not included in the fixed asset register. This had created an additional nine properties to be included within the fixed asset register and four properties to be removed, giving a net increase of £75,004 to the fixed asset note. The Committee acknowledged this point, but concurred with the Corporate Director's view that the misstatement should not be corrected as it was immaterial to the view given by the financial statements. On this basis, the Chairman signed the draft Annual Governance Report on behalf of the Council. It was noted that the phrase 'Net **over**statement of net assets' in Appendix B should read 'Net **under**statement of net assets'.

**DECISION:** That the draft Annual Governance Report 2009/10 be accepted.

25 **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW FOR YEAR ENDED 31<sup>ST</sup> MARCH 2010**

**INFORMATION:** Consideration was given to a report on the Local Government Ombudsman's annual review of complaints about Braintree District Council for the year ended 31<sup>st</sup> March 2010. A copy of the report was attached to the Agenda.

The report identified that 15 enquiries and complaints about the Council had been received in 2009/10, which was a reduction by a third on the previous year. Ten of the cases had been investigated, two had been referred back to the Council to be

considered under its complaints procedures, and advice had been provided to the enquirer in each of the other three cases.

The Ombudsman had made a decision on seven complaints. For one of these, the Ombudsman had recorded no administrative fault on behalf of the Council and for the remaining six complaints he had used his general discretion to close the investigations.

In addition to the Ombudsman's report, the Council's complaints process had been subject to review as part of the Council's application for the Customer Service Excellence Standard. This had identified four areas for improvement. The Council's external auditor, PKF, had also carried out a review as part of a study of performance indicators. Details of the outcome of these two reviews and the Managers' response were set out at Appendix B of the Agenda report.

**DECISION:**

- (1) That the annual report of the Local Government Ombudsman into complaints received about Braintree District Council in 2009/10, be accepted.
- (2) That the action proposed to improve the complaints process, as detailed in Appendix B to the report, be accepted.

26 **KEY FINANCIAL INDICATORS**

**INFORMATION:** Members considered a report on Key Financial Indicators as at 31<sup>st</sup> July 2010 including the Council's Treasury Management activity and investment portfolio.

**DECISION:** That the report on Key Financial Indicators as at 31<sup>st</sup> July 2010 be accepted.

27 **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**INFORMATION:** The Financial Services Manager gave a verbal progress report on the implementation of International Financial Reporting Standards.

Progress with the implementation of the Standards had been delayed as priority had been given to the publication of the Council's 2009/10 accounts. However, work had taken place regarding asset management records and it was proposed that new software should be purchased to maintain these.

**DECISION:** That the verbal progress report on the implementation of International Financial Reporting Standards be noted.

28 **TREASURY MANAGEMENT MID-YEAR REPORT 2010/11**

**INFORMATION:** Consideration was given to the Treasury Management Mid-Year Report 2010/11.

The mid-year report proposed a change to the criteria used for determining a "highly credit rated" bank/ building society for investment purposes. This would fulfil the requirements of the latest Treasury Management Code of Practice issued by the Chartered Institute for Public Finance & Accountancy (CIPFA), but it was not intended to change the current list of institutions deemed suitable for investment purposes.

It was reported that to date the Council had recovered a total of £462,984 of principal and interest from monies held with the Kaupthing Singer & Friedlander Bank and the estimated total recovery remained at between 65p and 78p in the pound. Icelandic court hearings would be taking place with regards to the Landsbanki and Glitnir Banks to determine whether UK local authority deposits should rank as priority claims under any distribution of funds. Legal action was being taken jointly with all other UK local authority creditors and costs shared accordingly. The Council had not pursued offers from some financial institutions to transfer its claims on the Banks on the basis that a higher recovery rate would be possible through the actions currently being pursued. In the event that this position changed, it was proposed that the Corporate Director for Finance, in consultation with the Cabinet Member for Efficiency and Resources and, where appropriate, the Council's Monitoring Officer should be authorised to take whatever action was necessary to protect and maximise recovery of the sums at risk.

**DECISION:** That it be RECOMMENDED TO COUNCIL:-

- (1) That the Mid-Year Treasury Management Report 2010/11 be noted.
- (2) That the Council's minimum long-term credit rating criteria applied to banks/ building societies used for investment purposes be revised to at least A+ (from AA-) and that a lowest common denominator approach be applied where ratings are provided by all three leading credit rating agencies (Fitch, Moody's and Standard and Poor's).
- (3) That the Corporate Director for Finance, in consultation with the Cabinet Member for Efficiency and Resources and, where appropriate, the Council's Monitoring Officer be authorised to take whatever action is necessary in order to protect and maximise the recovery of the Council's investments at risk with the Icelandic Banks.

## 29 DATE OF NEXT MEETING

**INFORMATION:** It was noted that the next meeting of the Audit Committee would take place on 13<sup>th</sup> January 2011.

The meeting closed at 8.57pm

G COHEN  
(Chairman)