



**MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
28 NOVEMBER 2019**

PRESENT

Chairman	Councillor E L Bamford
Vice-Chairman	Councillor K W Jarvis
Councillors	B S Beale MBE, Mrs P A Channer, CC, A S Fluker, B E Harker, M S Heard, S P Nunn, W Stamp, C Swain and Mrs M E Thompson

582. CHAIRMAN'S NOTICES

The Chairman drew attention to the list of notices published on the back of the agenda. She then welcomed Councillor B S Beale, MBE, to the Committee.

583. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M F L Durham and J stilts.

584. MINUTES OF THE LAST MEETING

RESOLVED

- (i) That the Minutes of the meeting of the Committee held on 24 October 2019 be received.

Minute No. 485 – Appointment of Vice-Chairman

Pg. 494, final sentence in the first paragraph should read ‘The Chairman advised that she would take the proposal in the name of Councillor E L Bamford first’ **not** “Councillor Mrs Thompson first”.

Pg. 494, under **RESOLVED** it should read ‘K W Jarvis’, **not** “J W Jarvis”.

Minute No. 491 – Appointment of Representatives on Liaison Committees/Panels

Pg. 498 that the representative listed on page ten in the table opposite Maldon District Citizen’s Advice Bureau should read ‘K W Jarvis’ **not** “J W Jarvis”.

In addition to the above typographical revision, Councillor Heard raised concerns regarding the content of minute 491 – Appointment of Representatives on Liaison Committees/Panels- as he felt it was incomplete and read like a passing reference to the issue he raised at the previous meeting, as opposed to representing his detailed comments on the matter.

The Chairman proposed that since some members felt the content of minute 491 was accurate whilst others did not, a vote be taken to resolve the matter and agree the minute.

In accordance with Procedure Rule No. 13 (3) Councillor Heard requested a recorded vote on the accuracy of minute 491 and this was seconded by Councillor Stamp.

Against the minute as recorded on 24/10/2019:

Councillors B S Beale, MBE, M S Heard, S P Nunn, W Stamp and C Swain

For the minute as recorded on 24/10/2019:

Councillors E L Bamford, Mrs P A Channer, A S Fluker, B E Harker, K W Jarvis and Mrs M E Thompson

The Chairman declared that the vote to agree minute 491 as an accurate record was carried.

RESOLVED that subject to the above amendments the Minutes of the meeting of the Committee held on 24 October 2019 be confirmed.

585. DISCLOSURE OF INTEREST

Councillor Channer declared a non-pecuniary interest as a Member of Essex County Council (ECC) on any agenda items pertaining to that organisation. She mentioned, in particular, those items that referenced the Pension Board as both ECC and Maldon District Council (MDC) were members

586. PUBLIC PARTICIPATION

No requests had been received.

587. REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2019

The Committee considered the report of the Interim Section 151 Officer together with the External Auditor report for the year ended 31 March 2019 (2018/19), attached at appendix 1, that reported the key findings of External Auditor's audit to those charged with governance, prior to issuing their opinion on the 2018/19 Statement of Accounts.

The External Auditor from Deloitte LLP took the Committee through the report referring to the key sections. He drew Members' attention to the introduction on page 19, pointing out that they were now at the final stages of completion with just a few quality checks outstanding. He reassured Members that these would be completed

within the next few days and that there had been no material changes required to the accounts.

With reference to arrangements for value for money (VFM) he said that overall the Council had appropriate arrangements in place and in terms of management override controls there was no indication of bias or override from management. Furthermore, investment property valuations were now within an acceptable range. He advised that all areas had been benchmarked against the External Auditor's actuarial team assumptions, resulting in a satisfactory outcome. He was expecting to issue an unqualified clean opinion on the final version of accounts.

He then highlighted the summary of challenges faced by External Audit in undertaking the audit and the rationale for the additional fees incurred. He clarified that a buffer had been built in from the outset to allow for a settling in period as new auditors. However, the additional charges were for hours over and above that, as a result of the delay in production of the final accounts.

In response to questions from Members he responded as follows:-

- That the overwhelming delay in the production of the accounts was due mainly to the large turnover of staff in Finance and the loss of corporate memory, resulting in delays on production of key working papers;
- That the issues raised in the 'Other Significant Findings' section of the report, if left unresolved, would prove significant. He suggested that Officers provide an update on what has been done and what processes have been introduced to address these issues, for submission to a future committee.
- That the corporate knowledge had been re-built and Members could take some assurance from the fact that the base numbers the system had originally generated were correct. It had been difficult to prove because of lack of corporate knowledge.

The Interim Section 151 Officer reaffirmed that corporate knowledge had been reconstructed, hence the ability to produce the working papers for the External Auditors, to allow for the production of the draft final accounts.

In response to a question on financial impact he explained how the pension accounting system worked in that the impact was on the pension reserve and not directly on the Council's accounts. The Council followed two reporting formats, the International Financial Reporting Standards (IFRS) and the Statutory Requirements to account for income and expenditure. The two are married up and the impact is put into a pension reserve which smooths out the effects of the pension liability on the Council year on year. This was reviewed by the Actuary at year end, so there was no direct impact on the Council's accounts.

On the issue of future proofing against a recurrence of the delays, the Interim Section 151 Officer assured the Committee that he was putting in place a succession plan, a detailed handover and action for the new incumbent. He said that these arrangements, alongside the refreshed corporate knowledge, should ensure timely production of next year's accounts.

It was noted that the signed opinion of the External Auditor would be with the Council early week commencing 2 December 2019.

The Chairman thanked the External Auditor for a comprehensive report and a thorough job undertaken by all involved.

The Chairman put the recommendations to the Committee and they were noted.

RESOLVED

- (i) The Committee noted the unadjusted misstatements in the appendix to the report of the external auditor on the audit for the year ended 31 March 2019 (appendix 1) which were below the auditor's materiality level and therefore not required to be adjusted and explained in paragraph 3.3 of this report;
- (ii) That Members formally noted the opinion of the Auditor on the draft Statement of Accounts;
- (i) That in all other respects the report of the External Auditor was noted.

588. DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

The Committee considered the report of the Interim Section 151 Officer together with the Annual Governance Statement (AGS) 2018/19 attached at appendix 1.

The Interim Section 151 Officer explained the context to the Annual Governance Statement. The Council had a statutory obligation to publish the AGS in accordance with the official guidance from SOLACE and the Chartered Institute of Public Finance & Accountancy (CIPFA). The Statement related to governance arrangements in place in 2018/19, with the exception of a forward looking commentary at section 6 on the *Full Council Transformation*.

Councillor Jarvis, referring to Section 6 – *Full Council Transformation* - said that there should be reference to the Performance, Governance and Audit Committee's responsibility in relation to the Annual Governance Statement. He further suggested that under Section 7 – *Other Issues* - there should be comment on the Committee's role in identifying the failure to deliver the accounts and how it worked to rectify the situation.

The Interim Section 151 Officer proposed that the Committee approve the Statement of Accounts subject to the inclusion of the changes put forward by Councillor Jarvis. The wording of the changes to be drafted by the Interim Section 151 Officer and agreed in consultation with the Chairman. This was seconded by Councillor Heard.

Councillor Heard, referring to mention of the Standards Committee in section 3.1.3 raised the issue of the makeup of the membership of that committee. It was clarified that in this instance the reference within the AGS was solely in respect of the Terms of Reference for that Committee. Should Members have issues around the membership/political balance of a respective committee, these should be addressed to the Monitoring Officer.

Councillor Channer, also addressing section 3.1.3, asked what the process was for declarations of interest in respect of staff, as the process was clear for Members. The Director of Strategy, Performance and Governance confirmed that there was a register for staff and a link would be circulated to Members.

The Chairman then put the recommendations, along with the proposed additions from Councillor Jarvis, to the Committee and they were agreed.

RESOLVED

- (i) That the Annual Governance Statement 2018/19, attached at appendix 1 be approved subject to the inclusion of additional information under Sections 6 and 7, as proposed by Councillor Jarvis, the wording to be agreed in consultation with the Chairman, subsequent to the meeting;
- (ii) That the Annual Governance Statement 2018/19 be certified by the Leader of the Council, the Director of Service Delivery and Head of Paid Service and the Director of Strategy, Performance and Governance.

589. DRAFT STATEMENT OF ACCOUNTS 2018/19

The Committee considered the report of the Interim Section 151 Officer that provided the latest position on the external audit of the statement of accounts and presented the draft Statement of Accounts for 2018/19 (subject to audit) at appendix 1, that were still subject to ongoing external audit work.

The Interim Section 151 Officer took the Committee through the report. He advised that the Council had undertaken the final checks and these were now with the External Auditors for completion early week commencing 2 December 2019, in anticipation of the External Auditor's opinion. The figures in the Statement of Accounts at appendix A would remain the same as they were the true and fair set of figures.

He advised the next steps in the approval process, namely, once clearance was received the Interim Section 151 Officer signed the accounts followed by the Chairman. Signed copies were then submitted to the External Auditors who then provided the Council with the signed-off accounts and signed-off Audit opinion. Both documents would then be published on the Council's website and made available for purchase at the Council Offices.

In response to questions the Interim Section 151 Officer advised the following:-

- That there were no penalties attached to late publication, the Council had been open and transparent by publishing a notice regarding the delay on the website;
- That this was the first time the Council had been late in publishing the accounts;
- That a number of local authorities were in the same position and the Government had appointed a practitioner to investigate why this had happened to so many this year.

Given the need for ownership of the situation and probity Councillor Nunn proposed that the Committee opt for recommendation (iii). This was duly seconded by Councillor Heard.

In response to concerns regarding the differences between the actual and revised budget the Interim Section 151 Officer said this had been impacted by the Council operating the original structure half year and the new structure the other half. Given the complexity of the issue he said he would circulate a written response to the Committee after the meeting.

At this point Councillor Harker proposed that the Committee adopt recommendation (ii). The Chairman reminded the Committee that there was already a proposal on the table from Councillor Nunn for recommendation (iii) that had been duly seconded.

In light of the second proposal Councillor Nunn, in accordance with Procedure Rule No. 13 (3) proposed that a recorded vote be taken on his original proposal for recommendation (iii). This was seconded.

The Chairman then put recommendation (iii) *Recommend to Council for approval of the final Statement of Accounts for 2018/19 once the External Auditor's Opinion on the accounts and the judgement for Value for Money has been received* to a recorded vote and it was carried.

For the recommendation:

Councillors B S Beale, MBE, Mrs P A Channer, A S Fluker, M S Heard, K W Jarvis, S P Nunn, W Stamp, C Swain and Mrs M E Thompson,

Against the recommendation:

Councillor B E Harker

RECOMMENDED that the final Statement of Accounts for 2018/19, once the External Auditor's Opinion on the accounts and the judgement for Value for Money had been received, be approved.

590. ANNUAL AUDIT AND CERTIFICATION OF FEES 2019 / 20

The Committee considered the report of the Interim Section 151 Officer that informed the Performance, Governance and Audit Committee of the audit fee for Deloitte LLP, the Council's External Auditor for the year to 31 March 2020 (financial year 2019/20).

The External Auditor addressing the report advised that it outlined the standard fee in accordance with Deloitte's contract with Public Sector Audit Appointments Limited (PSAA), setting out the scale of fee for 2019/20.

The Chairman put the recommendation to the Committee and it was noted.

RESOLVED that the content of this report be noted.

591. INTERNAL AUDIT PROGRESS REPORT OCTOBER 2019

The Committee considered the report of the Interim Section 151 Officer that provided, by way of appendices, a number of reports issued by BDO LLP, the Council's Internal Audit Service provider.

The Internal Auditor from BDO drew the Committee's attention to page 127 of the pack that outlined progress against the audit plan thus far. Attached at appendix 1 was the Progress Report, appendix 2 the Follow-up of Recommendations report and at appendix 3 the final report on Procurement and Contract Management.

She advised that audit reports on IT Disaster Recovery and Key Financial Systems would be submitted to the next Performance, Governance and Audit Committee and that the start date for the Reports Management audit had been agreed as December 2019.

In conclusion she reported that following discussions with CLT changes to the Audit Plan would be around timings from Quarter 1 to Quarter 4. This would not impact on the content of the work, only the timings for submission.

Councillor Jarvis requested that account production be included in the internal audit plan for 2019/20. The Internal Auditor confirmed that this would be included in the next iteration of the plan, to be submitted to a future Committee.

The Chairman put the recommendations to the Committee and they were agreed.

RESOLVED that the Committee considered and commented on:

- (i) Internal Audit Progress Report November 2019 at appendix 1;
- (ii) Internal Audit Follow Up of Recommendations November 2019 at appendix 2 and,
- (iii) Procurement and Contract Management November 2019 Final at appendix 3

592. QUARTERLY REVIEW OF CORPORATE RISK AND PERFORMANCE

The Committee considered the report of the Director of Strategy, Performance and Governance in accordance with the Risk Management Policy that required this Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks are being managed effectively. Appendix 1 to this report provided an updated position on the full Corporate Risk Register (CRR) as at the end of Quarter 2 (30 September 2019).

It was further noted that the Corporate Performance framework required this Committee to undertake a quarterly review of the Thematic Strategy's performance, as assurance that performance was being managed effectively to achieve the Corporate outcomes, and, where necessary, make consensus suggestions for improvement. Appendix 2 provided the first view of performance as of the end of Quarter 2 (Q2) (30 September 2019). These two reports have been simplified to bring together a clear picture of performance and risk. Online versions were available to view on the Members SharePoint site using the following link: [Corporate Risk & Performance Report](#)

The Director of Strategy, Performance and Governance introduced the item informing the Committee that this was the new way of presenting the quarterly corporate risk and performance framework. He then deferred to the Programmes, Performance and Governance Manager to take the Committee through the item in more detail.

The Programmes, Performance and Governance Manager, addressing the appendices to the report, said that the approach was focussed on monitoring of the Corporate Plan. She advised that pages 185, 189 and 194 contained the high level data and should Members wish to drill down further pages 86 and 87 contained the detailed data behind the high level. The objective was to monitor what the Council said it would achieve and demonstrate performance against the agreed Thematic Strategies.

As an example, she took the Committee through the Community Thematic Strategy noting the various categories of performance, namely 'on track all areas', 'not on track', 'on track with conditions' and 'under construction'. Those in the latter category comprised areas not previously monitored or awaiting outcomes from work being undertaken. An example was the outcomes from the Resident Survey due to be completed Friday 29 November 2019, which would impact the performance categories.

In conclusion the Programmes, Performance and Governance Manager said that she welcomed feedback on the new framework to determine if this met with Member expectation on performance management.

The Chairman, acknowledging that this was a new system for all present, suggested that Members might benefit from a separate session. This was supported, to be co-ordinated by the Programmes, Performance and Governance Manager prior to a future meeting.

Councillor Heard added that he liked the new presentation with graphs etc. but felt it would benefit from the use of Red, Amber, Green (RAG system) with Blue for completion. This was noted.

The Committee as a whole welcomed the new approach, noted that focus was correctly on performance within the Council, not wider, and thanked the Programmes, Performance and Governance Manager and her colleagues for their hard work.

The Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) That Members reviewed the information as set out in this report and appendices 1 and 2 and their views and comments were sought;
- (ii) That Members were assured through this review that corporate risk and performance are being managed effectively;
- (iii) That Members challenged performance or risk where the Committee felt that the Council's corporate goals may not be achieved;
- (iv) That Members questioned Members and Officers on decisions and performance, relating to comparisons with the Corporate Plan outcomes or in respect of decisions, initiatives or projects

593. ADOPTION OF A NEW RISK MANAGEMENT POLICY

The Committee considered the report of the Director of Strategy Performance and Governance that provided a risk management policy update and identified working principles for adoption. The key aim was to address recent risk audit recommendations through the revision of the Corporate Risk Management approach.

The Director of Strategy, Performance and Governance deferred to the Programmes, Performance and Governance Manager to take the Committee through the report.

In summary she said that the report covered the outcomes from a recent audit and was a revision to the existing policy, with not a huge amount of change. The main recommendations from the audit were to move to a 5 point performance matrix and tidy up processes and procedures internally going forwards. The policy also defined how service managers should be managing risk. She welcomed Members' feedback and approval of the policy if deemed appropriate.

A debate ensued around the usefulness of this approach and the scoring system. It was acknowledged that the approach was consistent with other like organisations and in accordance with guidance from the Council's Internal Auditors. The consistency in approach was further corroborated by Councillor Nunn who had previous experience of risk management policies.

Councillor Jarvis said that he was happy to approve the recommendations as outlined in the report.

The Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) That the revised Risk Management Policy (appendix A) to reflect external developments in the area and in line with a recent risk audit report be adopted;
- (ii) That the roles and responsibilities of risk management be approved;
- (iii) That a new 5-point risk scoring matrix be approved.

594. CORPORATE HEALTH AND SAFETY REPORT

The Committee considered the report of the Director of Service Delivery that provided an update on corporate health and safety activity from 1 July to 30 September 2019 (quarter two) and to show progress with the health and safety action plan for 2019-20.

The Director of Service Delivery took the Committee through the report and the Action Plan. He advised the Committee that the Health and Safety Executive (HSE) had inspected the depot facility at Promenade Park. As a result, a notice had been issued delineating where staff and vehicles were located with the use of barriers.

He reported that the Council had separately and prior to the HSE visit engaged a Health & Safety Consultant to identify any improvements in the Council's Health & Safety

activities in this service area, make recommendations on improvement and, ahead of the summer season, prepare the team for 2020.

The Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) That the accident and incident statistics for the quarter were considered;
- (ii) That progress with the health and safety action plan 2019/20 were considered;
and,
- (iii) That information pertaining to corporate health and safety matters were considered

595. ANY OTHER ITEMS OF BUSINESS THAT THE CHAIRMAN OF THE COMMITTEE DECIDES ARE URGENT

The meeting closed at 9.25 pm.

E L BAMFORD
CHAIRMAN