



**MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
27 FEBRUARY 2020**

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, J V Keyes, S P Nunn, W Stamp, Mrs J C Stilts, C Swain and Mrs M E Thompson

815. CHAIRMAN'S NOTICES

The Chairman drew attention to the list of notices published on the back of the agenda.

816. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M F L Durham and N Skeens.

817. MINUTES OF THE LAST MEETING

RESOLVED that the Minutes of the meeting of the Committee held on 9 January 2020 be approved and confirmed.

818. DISCLOSURE OF INTEREST

Councillor Mrs P A Channer declared a non-pecuniary interest as a member of Essex County Council regarding any items on the agenda pertaining to that organisation.

819. PUBLIC PARTICIPATION

No requests had been received.

820. ACTIONS TAKEN TO THE FINDINGS AND COMMENT OF THE EXTERNAL AUDITOR ARISING FROM THE 2018/19 AUDIT OF ACCOUNTS

The Committee considered the report of the Interim Section 151 Officer together with appendices 1 and 2 that detailed actions taken in response to the findings of the external auditor arising from the audit of 2018/19 accounts.

The Chairman introduced the report noting how comprehensive it was. In response to questions raised officers reported the following:-

- That Ignite highlighted the risk of losing staff in the transformation programme blueprint. From their experience with other like organisations they forecast a straight line in terms of departures, however, this Council experienced a curved line as some staff left due to the transformation and some for other reasons. This resulted in a more rapid reduction than anticipated.
- That senior management direction was impacted by a number of issues as outlined in the report. Given that the same senior officer was responsible for both the local elections, as Returning Officer, and the production of the Statement of Accounts, as Director of Resources, had a major impact on delivery of the accounts. This was further compounded by the departure of said member of staff as detailed in the report. In order to prevent a re-occurrence, the Council would ensure the Director of Resources post is supported by an experienced deputy Section 151 Officer. In addition, since September 2019, the Director of Resources role had been separated from the Returning Officer role which would also preclude the same situation re-occurring. The Returning Officer role was now under the remit of the Director of Strategy, Performance and Governance.
- That all actions identified in the report were already in hand and being actioned by the Tier 2 Managers in liaison with Finance Specialists. All roles, responsibilities and timescales were clearly delineated in the timetable at appendix 2 to ensure the process remained on track for the production of a set of accounts by 31 May 2020. Any deviation from this would be covered by decisive urgent action on the part of the Director of Resources to bring it back on track.
- That the content of both appendices made it clear to officers the focus must be on production of working papers in advance, thereby precluding auditors the opportunity of adding more time to their charges. However, it was also noted that the working papers this time round were the same as previous years, but the auditors were new to the process. This would always be an issue as the Council cannot legislate for who the auditors appoint in their respective team (s).
- That knowledge and experience had been built back up within the finance team. In respect of treasury management, staff were following the operational guidance agreed by Council in February 2019 whereby qualified officers (a qualified accountant), would identify where an investment deposit could be made, with the final decision taken by the Section 151 Officer. The appropriate processes were now in place and the clean audit opinion corroborated that. It may now be timely to look at the financial accounting system in use. It was noted that SAGE 200 reporting was onerous in that information had to be downloaded into excel for reporting purposes. A system with inbuilt reporting

tools that allowed reports provided directly from the system, cutting out the unwieldy excel process, would be more efficient, particularly now the Council was operating with leaner teams.

- Finally, it was noted that since the abolition of the audit commission the Council, along with councils nationally, opted into the Public Sector Audit Appointments Ltd company to appoint their own auditors on a three yearly cycle. By opting in it saved the council expensive procurement costs on a three year cycle.

The Chairman thanked the Interim Section 151 Officer for the report and input from Members. She then put the recommendation to the committee and it was agreed.

RESOLVED that the Committee considered and noted the reasons for the issues identified by the external auditor in the 2018/19 audit of accounts, actions taken by the Interim Section 151 Officer as set out in section 3 of the report and appendix 1 and appendix 2 and the risks as identified in paragraph 3.5.

821. INTERNAL AUDIT REPORTS - PROGRESS, IT DISASTER RECOVERY AND KEY FINANCIAL SYSTEMS

The Committee considered the report of the Interim Section 151 Officer covering three reports from BDO LLP, the Council's internal audit service provider. The reports were titled:- Internal Audit Progress Report February 2020 at appendix 1; IT Disaster Recovery – Final Report at appendix 2; and Main Financial Systems (Accounts Payable, Accounts Receivable, Expenses) – Final Report at appendix 3.

The Chairman introduced the Internal Audit reports and deferred to the BDO Partner, Mr Greg Rubins, to present the first report, namely the Progress Report.

He advised that the report covered the progress against the audit plan 2019/20 and explained the four assurance levels used by internal audit on each of the audits. He said that there were two other reports currently in draft covering Workforce Management and Network Security scheduled for the next committee and that the two reports under this agenda item today would be presented by the Internal Audit Manager, Ms Emma Donnelly.

In response to a query regarding items in the plan being deferred to 2020 he advised that these were in response to requests for deferment by officers who felt that reporting them in 2020 would be more useful.

The Internal Audit Manager then took the Committee through the IT Disaster Recovery report. She advised that it was part limited on assurance at the time of the audit which was a direct result of not having a testing schedule in place. Members were reassured that the Business Impact Assessment and the Business Continuity Plan were now fully documented. In addition, the outstanding testing schedule at the time of the audit had now been set up with a test scheduled for 29 February 2020. The recommendations were all on track due for implementation by the end of March 2020.

Concerns were raised around areas colour coded red and whether appropriate risk assessments had taken place prior to adoption of the transformation programme. The

Director of Strategy, Performance and Governance, noting that the testing schedule was key to IT disaster recovery, advised that once this had been flagged by internal audit the speed with which staff were able to respond and put a schedule in place demonstrated that a lot of work had already been undertaken and that staff took the issue very seriously. In terms of risk assessment, he informed the Committee that the Ignite Blueprint for Transformation, available to all Members on the I:\ Drive, included a risk assessment. It was agreed that the risk assessment would be circulated to all Members following the meeting.

In summary it was noted that the new server should mitigate these issues going forward, that the Council took IT issues very seriously, it was accepted that some areas required improvement and others work completed. The Chairman asked when this issue would be reported back to the Committee and the Audit Manager advised that it would be covered at the next Performance, Governance and Audit Committee (PGA) under the Follow-up of Recommendations report.

The Audit Manager then took the Committee through the Main Financial Systems report looking at accounts payable, accounts receivable, expenses, including Members' expenses. Within the aforementioned areas she highlighted good practice together with areas where there were weaknesses in terms of reporting controls and policies.

The Interim Section 151 Officer and the Audit Manager, addressing areas of concern raised in the report and from Members, advised the following:-

- That the Sundry Debtor Policy and Procedure had been revised, this was an operational document underpinning the Corporate Debt Strategy approved by Council in November 2019. It had been circulated to the Tier 2 Manager responsible for the accounts receivable function as an accounting instruction from the Interim Section 151 Officer. The revised policy did not need committee approval as it operated via an instruction from the Section 151 Officer and had already been actioned.
- That delivery of debt recovery actions and staff training on the system were adversely impacted by the transition from the old structure to the new. Debt recovery actions have now commenced, based on information from the Debt Recovery Agency.
- That the council decided not to pursue receipts for fuel as this was not cost effective to administer, however, all staff and Members were required to complete a mileage form.
- That all write-offs were undertaken in accordance with the Council's Financial regulations, procedure rules and scheme of delegation in accordance with the Constitution. Anything above £20,000 was referred to the Strategy and Resources Committee for approval, nothing was written off by officers. Debt recovery action was now in hand and would form part of the handover to the Interim Director of Resources to address in accordance with the Council's constitution.
- That it was not the role of internal audit to undertake risk assessments on the part of the Council. However, it was important to note that in previous years all areas were generally very well controlled. This was the first year with significant

issues reported and in terms of senior management this was a moving picture throughout the year, impacted by a resignation.

- That the budget underspend had already been reported to the Finance and Corporate Services Committee on 24 September 2019 (now Strategy and resources Committee) in an outturn report. This was the result of a host of issues, principally the budget for 2018/19 was set under the old structure and the impact of transformation changes resulted in the large underspend. It was suggested that Members revisit the outturn report which can be found under this link:- 10 Financial Outturn 2018-19.docx
- That all outstanding items would be reported back to Committee as appropriate through the Follow-up of Recommendations report.
- That urgent action had already been taken to put in place an operational procedure around supplier issues. From now all changes to suppliers' bank accounts, address details, names or new suppliers were followed up through independent checks by the Financial Resources section via email or direct contact, in order to confirm suppliers were bona-fide.

With reference to the Members Expenses' claim form both Councillor Fluker and Councillor Mrs Channer suggested that a form, similar to that at Essex County Council be adopted, using a start and finish postcode to calculate journeys. This to be introduced by April 2020, accompanied by clear guidance on completion. It was felt that this would mitigate the issues raised in the report.

In addition, Councillor Fluker, addressing the issue of write-offs proposed that the Director of Strategy, Performance and Governance bring a report to the Strategy and Resources Committee on 'Aged Debtors'. This was agreed.

There being no further queries the Chairman then put the recommendations to the Committee and they were agreed

RESOLVED that the Committee considered, commented and approved the following:

- (i) Internal Audit Progress Report February 2020 at appendix 1;
- (ii) IT Disaster Recovery – Final Report at appendix 2;
- (iii) Key Financial Systems (Accounts Payable, Accounts Receivable, Expenses) – Final Report at appendix 3.

822. INTERNAL AUDIT FOLLOW-UP OF RECOMMENDATIONS REPORT - FEBRUARY 2020

The Committee considered the report of the Interim Section 151 Officer covering the Internal Audit Follow-up of Recommendations report that provided an overall update of Audit actions, including both open and closed actions, and those recommended and

approved by BDO and Maldon District Council (MDC) staff for removal, at appendix 1 to the report.

The Chairman introduced the report and deferred to the Interim Section 151 Officer to cover the key issues before handing over to the Internal Audit Partner.

The Interim Section 151 Officer drew Members' attention to page 80, the section titled new superseded/closed actions. He reminded Members that this section followed on from a report 'Historic Audit Actions' that was previously deferred by the committee. This was part of a necessary housekeeping exercise and both the internal auditors and internal officers confirmed the original recommendation was either out of date or being picked up in other ways. The aim was to result in a coherent list of outstanding actions that Members could follow through and decide how they were delivered.

The Internal Audit Partner reiterated that the report outlined the current situation as explained by the Section 151 Officer, namely where recommendations were closed and where they were superseded. He said this was a sensible piece of work in light of all the changes that had taken place and that internal audit would continue to follow up on recommendations, focusing on the risk and best approach under the Council's new structure. In response to a query regarding the way work was categorised in the report the Internal Audit Partner said that BDO was looking at introducing less complicated reporting mechanisms.

The Interim Section 151 Officer, in response to a query around work outstanding in respect of fraud advised that within the authority this area was the responsibility of the Section 151 Officer and that work was now in hand. All areas where the Council's Anti-Fraud and Corruption Strategy impacted had been identified. In order to raise awareness of anti-fraud and corruption risk, key documents had been shared with Tier 2 Managers who in turn cascaded the information to their respective service managers and officers. This was also on the agenda for both the Extended Leadership Team (ELT) meetings that included the Corporate Leadership Team (CLT) and Tier 2 Managers.

He reassured Members that considerable work had already been undertaken in this area as a result of previous audits where weaknesses had been identified and actioned:- understanding collusion, pricing cartels, accounts payable and additional checks around changes in suppliers which in turn addressed anti-fraud/corruption activity. He clarified that the reference to a substantive piece of work in the report related to constitutional changes reflecting where the responsibility lay for this area of work in the scheme of delegation, namely with the Section 151 Officer. This, together with other constitutional changes would be reported back to Committee for recommendation to Council.

In addition, he reported that the Section 151 Officer would be supported by a member of staff responsible for embedding awareness of the potential risks. That work and necessary action around this area would require a corporate approach, led by the Section 151 Officer with input from Human Resources, the Strategy, Performance and Governance Directorate etc. to ensure a comprehensive programme of periodic awareness was in place, including training programmes for new and existing staff together with regular review of document processes and procedures.

He concluded that the Council was actively addressing and monitoring how it might be defrauded, how to avoid fraud and embed an understanding of fraud risks across the Council, as issues of this nature remained live.

There being no further questions the Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) That the Members reviewed the audit actions update, including removal of audit actions which have been addressed and delivered in other ways operationally, or are no longer relevant and approved the current list;
- (ii) That Members reviewed this report bearing in mind the future internal audit plan and are reassured that actions will continue to be reviewed as part of our internal audit process;
- (iii) That this report is provided quarterly in order to monitor internal audit actions going forwards;
- (iv) The progress report on the implementation of the Committee's resolution as set out in section 3.6 of this report be noted including appendix 2.

823. INTERNAL AUDIT - DRAFT STRATEGIC PLAN 2018/19 - 2020/21 AND DRAFT ANNUAL AUDIT PLAN 2020/21

The Committee considered the report of the Interim Section 151 Officer and Internal Audit that sought approval of the Draft Internal Audit Strategic Plan 2018/19 -2020/21 and the 2020/21 Operational Plan attached as appendix 1 to this report.

The Chairman introduced the report and then deferred to the Interim Section 151 Officer. He advised the Committee that some of the items identified in the superseded section of the *Follow-up of Recommendations* report were likely to be re-assessed in future audits that were already identified in the proposed Internal Audit Draft Annual Plan on pages 106-107 namely audits on:- *Flood Management and Information Management*.

The Internal Audit Partner then took the Committee through the report reminding Members that it was based on the highest risks on the Council's risk register. He said there were audits going forward that alluded to transformation but were more granular in detail e.g. *Customer Service and Communications, Workforce* etc. There was also an audit on the new corporate plan and strategy and how that flowed through into detailed objectives and performance reporting. Internal audit work would continue on the usual audits around *Main Financial Systems* etc.

There being no further issues raised the Chairman put the recommendation to the Committee and it was agreed.

RESOLVED that the indicative internal audit plan covering the draft internal audit strategic plan 2018/19 -2020/21 and 2020/21 draft annual audit plan be approved, attached at appendix 1.

824. QUARTERLY REVIEW OF CORPORATE RISK REPORT (Q3)

The Committee considered the report of the Director of Strategy, Performance and Governance that required the Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks were being managed effectively. Appendix 1 was attached to the report for this purpose.

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to take the Committee through the report.

The Programmes, Performance and Governance Manager reminded the Committee that as a result of the new corporate risk management strategy agreed in November 2019 all scores had been revised to a 5:5 scoring scale. Appendix 1 detailed the risk scoring criteria and, that based on its contents the risk 'Poor Financial Accounting' would be titled 'Financial Resource and Process Issues' in future reports. It was noted that the risk score on the following three risks had been lowered:- R4 *Failure to influence Community Safety Partners to address the key areas of public concern (including rural crime) and the negative perception of crime*; R22 *Contracts not managed or owned and not providing Value for Money, out of contract on many across Council. Procurement process not adhered to resulting in fines, loss of reputation and R6*; *Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities.*

There being no issues raised the Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) Members noted the change in scoring in this report, to reflect recent policy updates;
- (ii) Members reviewed the Corporate Risk Register in appendix 1 and provided comment and feedback for consideration;
- (iii) Members were assured through this review that corporate risk was being managed effectively;
- (iv) Members challenged risk where the Committee felt that the Council's corporate goals may not be achieved.

825. QUARTERLY REVIEW OF CORPORATE PERFORMANCE (Q3)

The Committee considered the report of the Director of Strategy, Performance and Governance that required the 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 suggestion of improvement. Appendix 1 to the report provided the first view of performance as of the end of Quarter 3 (31 December 2019). Online versions were available to view on the Members SharePoint site using the following link: [Corporate Performance Report](#)

The Chairman introduced the report and deferred the detail to the Programmes, Performance and Governance Manager.

She took the Committee through the report that highlighted performance progress against the corporate outcomes, as outlined in the corporate plan. It was noted that the areas of concern detailed in appendix 1 were highlighted in amber or red colour.

Addressing performance against the Council's three Thematic Strategies she reported that there were no initial concerns in relation to the Community theme, however in the Place theme there were concerns around the maintenance of open places. With reference to the Prosperity theme there were no initial concerns but there were gaps in data and these would be addressed by quarter 4.

A query was raised regarding the community theme, in particular the area D) 'Support health and wellbeing - priority: Older peoples' health. The Programmes, Performance and Governance Manager explained that this activity was at the supporting plan level. There were plans and areas reported as amber within the three strategies, however the overall measure for the strategy would still be on track due to the impact of other ongoing work. She then drew Members' attention to the high level outcome for the three strategic themes on pages 132,136 and 142 that provided an overview of how the Council was performing.

There being no further issues raised the Chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) Members reviewed the information as set out in this report and appendix 1 with priority focus given to the Strategic Outcome level performance;
- (ii) Members were assured through this review that corporate performance was being managed effectively;
- (iii) Members challenged the performance where the Committee felt that the Council's corporate goals may not be achieved;
- (iv) 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.

826. ANNUAL REVIEW OF FINANCIAL REGULATION AND CONTRACT PROCEDURE RULES

The Committee received a verbal update on Annual Review of Financial Regulation and Contract Procedure Rules. The Chairman introduced the item and deferred to the Interim Section 151 Officer for the update.

The Interim Section 151 Officer reported that as a result of transformation and the new committee structure the financial regulations, contract procedure rules, standing orders and scheme of delegation were now out of date and needed to be aligned to the new Council structure. This would be covered in a handover to the new Interim Director of

Resources to take forward. A report would then come back to this committee for recommendation to Council.

RESOLVED that a report on this issue be brought back to committee for recommendation to Council.

827. CORPORATE HEALTH AND SAFETY (Q3)

The Committee considered the report of the Director of Service Delivery that provided an update on corporate health and safety activity from 1 October to 31 December 2019 (quarter three) together with the health and safety action plan for 2019-20.

The Chairman introduced the report and deferred to the Director of Service Delivery to take the Committee through the report.

The Director of Service Delivery highlighted the incident/ accidents that had taken place. There were five incidents of unacceptable behaviour by members of the public. The areas effected were within customer services, environmental health and planning enforcement respectively. It was noted that quarter three had been a particularly busy time in the organisation therefore less progress had been made regarding the action plan. However there had been specific progress within customer solutions and conflict management.

He advised Members that all recommendations following the Health and Safety Executive (HSE) visit to Promenade Park had been completed and following a revisit by HSE all work had been approved. That prior to the initial visit by HSE a health & safety review had been undertaken and all was now in order for the new season. In addition, first aid arrangements were being updated across the organisation.

In response to a query regarding a lack of response to emails the Director of Service Delivery said he would liaise with staff and ensure a prompt response system was in place. He further advised that health & safety was a standing agenda item for this Committee and would be reported back as appropriate.

There being no further issues raised the Chairman put the recommendations to the Committee and they were agreed.

RESOLVED that the following was noted:-

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

828. SECTION 106 UPDATE

The Committee received a verbal update on Section 106 from the Director of Strategy, Performance and Governance as follows:-

- That Stephen Andrews had been appointed to the s106 Officer role as of 27 January 2020, on a permanent basis.
- There were no new reporting requirements for the income and expenditures from s106 set out in the National Planning Policy Framework (NPPF) 2019. It required a report on income, outgoings and banked holdings in the year April 2019 to March 2020. In this light the s106 Officer had been asked to undertake the following key tasks in preparation for the reporting date in December 2020.
 1. A comprehensive review of the Council's existing spreadsheets and the necessary monitoring visits to ensure the records were up to date.
 2. To ensure these findings were reconciled with the finance department records for s106.
 3. To carry out a review of the Maldon District Council's (MDC) business processes related to the gathering and expenditure of s106 funding.
 4. To improve partnership working with s106 recipient organisations to ensure, where appropriate, better collaboration and information sharing.
 5. To maintain the day to day running of the process and to deal with s106 related issues as they arise.

The s106 Officer had also been asked to prepare advice on making the s106 system more robust for any future periods of change and thus less dependent on individual post holders. The system should become more easily understood and accessible e.g. via a web site page. This will help the system to be more transparent in its working and more readily accountable to Developers, Members and the Public alike.

In taking these steps Officers believe they offer the best means of ensuring a smooth transition into the future period when s106 funding was being brought in at the same time as the Community Infrastructure Levy.

- The s106 accounts were last presented in October 2019 and there had been little income since then. Two health payments have been sought recently (based on house sales trigger points) and we are awaiting income. A single payment of £7,500 has been made to the NHS in terms of delivering s106.
- Training – the Section 106 Officer was also helping to broaden knowledge of the s106 processes among MDC staff and had provided a staff training session ensuring a sound baseline of understanding. Further sessions will be made available on request. If it would be found helpful a session of up to an hour could be made available to Members.

It was requested that the s106 Officer review all previous s106 decisions emanating from committee minutes, in particular the former Planning and Licensing Committee. It was further agreed that the verbal update be reflected fully in the minutes and circulated to committee members following the meeting.

RESOLVED that an update report be brought to the April 2020 meeting of the committee.

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

In accordance with the Council decision (minute No. 542) the Chairman drew the Committee's attention to the report for noting, the Annual Audit Letter 2018/19, which was also available on the I:Drive. It was agreed that this be circulated to the committee following the meeting.

The Chairman then extended sincere thanks on behalf of herself and the Committee to the Interim Section 151 Officer for all the work he had done and wished him all the best for the future. Councillor Mrs Channer also thanked him for his informed clear responses and his openness and transparency.

The Interim Section Section 151 Officer thanked all for the kind words. He said that whilst it had been a challenging seven months it had also been satisfying.

There being no further items of business the meeting closed at 9:20pm.

E L BAMFORD
CHAIRMAN