MINUTES of a meeting of the Audit and Performance Committee held at Swanspool House, Wellingborough on Tuesday 15 July 2008 commencing at 7:00pm and concluded at 8:13pm.

Present: Councillor Callnon (Chairman), Councillor Allebone (Vice-Chairman), Councillors Morrall and Sharp

Councillors Bass, P Bell and Pursglove also attended the meeting.

1 APOLOGIES FOR ABSENCE

RESOLVED to note that an apology was received from Councillor Crofts.

2 DECLARATIONS OF INTEREST

RESOLVED to note that the following councillors declared interests in the minutes specified in accordance with the code of conduct:

<table>
<thead>
<tr>
<th>Councillor</th>
<th>Minute</th>
<th>Subject</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allebone</td>
<td>5</td>
<td>Internal audit update report 2007-08</td>
<td>Personal: both Councillor and wife were members of The Castle Board</td>
</tr>
</tbody>
</table>

3 CONFIRMATION OF MINUTES

RESOLVED that the minutes of the meeting held on 26 June 2008 be confirmed and signed.

4 COMMERCIAL RENT COLLECTION POLICY

The Committee received a report from the Property Service Manager, presented by the Corporate Director, which outlined the policy in respect of the management of rent due from the Council’s commercial property portfolio.

It was noted that Property Service was responsible for managing the Council’s commercial property portfolio and outsourced the management of rent collection to Underwoods, as part of its duties to manage external tenancies under the Active Property Management contract.
The report had been prompted by a report to Resources Committee on 3 June, during the discussion of which the question arose as to the existence of appropriate policy in respect of the management of rent and debts.

The Council’s commercial rent collection policy was attached as appendix 1 to the report. It was noted that the active property management contract had been audited twice by the Council’s internal auditor, ConsortiumAudit, and subsequently reported to Scrutiny Committee with a particular focus on rent management.

No recommendations had been made by ConsortiumAudit requiring any alteration to the rent collection policy.

Property Service maintained regular contact with Underwoods, and reports were presented monthly to the Property Working Group, relating to rent collection performance and budget reforecast, together with any arrears matters of significant concern.

The Corporate Director and Simon Toseland from Underwoods responded to the Committee’s questions and comments which included the following:

- The Committee requested detailed figures for the total current rent arrears balance. The Corporate Director did not have this current information but reported that, as at 31 March 2008, the Council collected an approximate annual total rent of £2.3 million and that its aged debt and new arrears had been £137,000 (this figure included all arrears).
- Councillors requested circulation of a breakdown of the £137,000 arrears, including details of the age of the debt and number of tenants (specific tenant details were not to be included).
- It was agreed that given the size and complexity of the Council’s property portfolio, some 230 properties, some debt was expected.
- The Committee expressed concern that the report author had not attended the meeting to provide detailed information and expand on his report. The Chairman noted that she had been made aware that the report author was unable to attend, and decided that the report should be brought to this July meeting in order to address the request from Resources Committee.
- Councillors asked for information about measures taken to identify and mitigate arrears, especially in view of the current economic downturn. It was noted that the Council’s agents had regular contact with tenants, and consistently chased for payment. A new payment method had been introduced in an attempt to ease tenants’ financial issues and prevent arrears accumulating: rent was now to be paid monthly in advance, rather than quarterly.
- The Committee requested information about measures the Council used to identify and prevent tenants taking short term leases and running up arrears. The Corporate Director stated that credit checks on prospective tenants were undertaken, and deposits or appropriate indemnities taken as part of the lease agreement. He indicated that historically the Council’s tenants were usually long term; the Council had worked hard to create a reputable, stable and solid tenant base for its commercial property, able to meet its obligations.
Councillors noted that the Property Service Manager had stated at Resources Committee on 3 June that the Council did not take indemnities. The Corporate Director would clarify this contradiction and compile a briefing note to be circulated to the Committee. He restated that it was definitely Council practice to take rent deposits, usually 3 months’ payments, or indemnities from tenants. The deposit was then returned with interest at the end of the lease. The Committee requested details for the deposits and indemnities currently held be included in the briefing note.

The Committee requested information behind the Council’s decision to transfer the management of commercial rent collection from Nelson Bakewell to Underwoods. It was noted that the Council’s arrangement with the former had not been operating to maximum efficiency as Nelson Bakewell, a London-based organisation, did not have effective tenant contact and visiting arrangements. With agreement between all three parties, Underwoods commenced management of the Council’s commercial rent collection on 1 April 2008; Underwoods were a sub-contractor to Nelson Bakewell and these arrangements reflected a step-up in their involvement in the contract.

It was noted that Underwoods was a well-known local company, aware of local market trends, able to identify potential difficulties at an early stage. Simon Toselend reported that, although Underwoods had its own procedures, it followed the Council’s policy in respect of the management of its commercial property rent collection; he stated that Underwoods had a strong relationship with the Council’s tenants, often dealing with them on a daily basis.

Simon Toseland provided further information about the financial software system used to manage the rent collection.

The Committee agreed that it still had further specific questions in relation to up-to-date figures for arrears, the relationship between the Council, Nelson Bakewell and Underwoods, the latter’s procedural documents. It requested that this item be brought back to the next meeting and that both the Property Service Manager and Simon Toseland of Underwoods be asked to attend.

RESOLVED that this issue be returned to the September meeting of the Committee for further investigation, and that the Property Service Manager and Simon Toseland attend the meeting.

5  INTERNAL AUDIT UPDATE REPORT 2008-09

The Committee received a report from the Head of Financial Services which was presented by the Audit Manager, ConsortiumAudit, and provided an update of the work undertaken so far on the 2008-09 internal audit plan. It was noted that internal audit reviews were completed in accordance with the annual internal audit plan previously agreed by the Scrutiny Committee 25 March 2008.

A list of audit reports finalised since the last progress report presented to the Committee at its June meeting was detailed in paragraph 5.1: appendix A of the report provided information about the status, level of assurance and recommendations for each audit report. Paragraph 5.3 listed all audit reviews
currently in progress. The Audit Manager, ConsortiumAudit, provided an update of information relating to the current audit reviews listed in paragraph 5.3, as follows:

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Status (as at 25/6/08)</th>
<th>Status (as at 15/07/08)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>Draft Report issued</td>
<td>Limited</td>
</tr>
<tr>
<td>Contract Audit – Stock Transfer</td>
<td>Draft Report issued</td>
<td>Substantial</td>
</tr>
<tr>
<td>2008/09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BVPI Checks</td>
<td>Draft Report issued</td>
<td>Limited</td>
</tr>
<tr>
<td>Computer Audit – IT Partnership with East Northants</td>
<td>In Progress</td>
<td>Still in progress</td>
</tr>
<tr>
<td>Contract Audit – Leisure Services – Monitoring of Contract</td>
<td>In Progress</td>
<td>Still in progress</td>
</tr>
<tr>
<td>Corporate Governance Arrangements</td>
<td>In Progress</td>
<td>Draft report - substantial</td>
</tr>
<tr>
<td>Follow Up - External Audit Recommendations</td>
<td>In Progress</td>
<td>Follow up report – no level issued</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>Draft Report issued</td>
<td>Limited</td>
</tr>
<tr>
<td>Section 106 Arrangements</td>
<td>In Progress</td>
<td>Draft report - substantial</td>
</tr>
<tr>
<td>The Castle</td>
<td>Draft Report issued</td>
<td>Limited</td>
</tr>
<tr>
<td>Travel Concessions</td>
<td>In Progress</td>
<td>Still in progress</td>
</tr>
</tbody>
</table>

The Head of Financial Services and Audit Manager responded to the Committee’s questions and comments which included the following:

- The Committee expressed concern about the number of limited levels of assurance given to specific audits. The Audit Manager reported that some issues audited had shown significant improvement – for example, Section 106 arrangements; others had not. She noted that this could be due, in part, to ConsortiumAudit’s practices improving and becoming more effective; she acknowledged that the consortium had become better at doing its job, finding and evidencing information. It was noted that ConsortiumAudit provided a service for three local authorities – Wellingborough, Northampton and Corby – and was able to compare other ways of working and use best practise examples to recommend improvements.
- Councillors requested specific details about internal audit’s limited level of assurance for The Castle. It was noted that these were due mainly to The Castle’s previous fraud problem. The Audit Manager reported that The
Castle management had accepted all recommendations made by ConsortiumAudit and would action them. ConsortiumAudit had previously only audited the theatre’s fixed assets, and had not examined financial aspects of its management. It was also noted that The Castle’s external auditors had not detected any fraud issues during previous routine audits.

- The Committee expressed concern that the petty cash audit had received only a limited level of assurance. The Head of Financial Services reported that a review of current petty cash arrangements was underway and that consistent practices would be introduced to all four of the Council’s buildings. He noted that petty cash involved very small amounts of money.

RESOLVED that the internal audit update report 2008-09 be received.

6 RESPONSE TO ANNUAL AUDIT AND INSPECTION LETTER RECOMMENDATIONS

The Committee received a report from the Corporate Director which presented an action plan proposed to address the recommendations contained in the Audit Commission’s Annual Audit and Inspection Letter 2006-07 to the Council. The Letter had been considered by the Committee at its meeting on 10 June 2008, and officers instructed to develop an action plan.

The Letter had identified four ‘Action(s) needed by the Council’, which were detailed in paragraph 5.1 of the report as follows:

(a) Ensure the Council has a clear understanding of how its services perform their costs and the rate of improvement compared to other councils in order to drive and focus improvement activity and improve value for money.
(b) Strengthen and embed corporate systems and processes to ensure a clear focus on the delivery of plans and of service improvements particularly in the weakest areas.
(c) Tackle sickness and vacancy levels that are impacting on the Council’s capacity to deliver its plans.
(d) Ensure the Council begins to prepare for the implementation of the International Financial Reporting Standards and Comprehensive Area Assessment in 2009/10.

Paragraphs 5.4 to 5.26 of the report listed measures, some already undertaken, some proposed, to address each action: appendix 1 contained a tabulated action plan with allocated lead officers and deadlines. The Corporate Director responded to councillors’ questions and comments which included the following:

- Councillors requested information about measures proposed in the action plan to tackle employee sickness absence and vacancy levels, and requested specific details about “new health and wellbeing initiatives”. The Corporate Director noted that these initiatives were still being explored by the Head of Organisational Development, and would be in place by 2009.
Current occupational health initiatives already available included health screening, stop smoking programmes, a fitness club, free or reduced cost access to leisure facilities at the Waendel sports centre, health advice from Active Health Partners (AHP) the Council’s sickness reporting provider, free stress counselling, free flu vaccinations.

Councillors expressed concern that a couple of long term sickness absences could distort the Council’s average figure, and that the above proactive occupational health initiatives would not prevent genuine long term absence. The cost effectiveness of these initiatives was questioned.

Councillors requested a breakdown of long and short term sickness absence to enable a more accurate analysis of absence patterns. The Corporate Manager would request that this information be circulated to councillors in a briefing note.

It was noted that AHP had provided an absence reporting mechanism since 2005; the Committee suggested that it be audited by ConsortiumAudit. This was noted by the Audit Manager.

Councillors expressed concern that some employee health initiatives provided by the Council could be obtained via other sources for example employees’ own GPs, the national stop smoking campaign, or NHS Direct. It was felt that the Council was asking council tax payers to fund these initiatives twice, and a review of these initiatives was suggested.

Councillors expressed specific concern that employees were offered free flu vaccinations and felt that it was grossly unfair that council tax payers had to fund this when other members of society were unable to obtain this vaccination.

The Committee requested information about preparation for the implementation of International Financial Reporting Standards (IFRS). The Head of Financial Services noted that guidance was still not available and that the introduction date had been postponed 12 months. He would keep a watching brief, and alert councillors when action was required.

**RESOLVED** that the action plan described at appendix 1 of the report be approved.

7 **RISK MANAGEMENT POLICY AND STRATEGY**

The Committee received a report from the Corporate Director which presented a revised and updated draft risk management policy and strategy for approval. The draft policy and strategy were contained in the appendix to the report.

It was noted that the revised risk management policy statement recognised the Council’s responsibility for the management of both external and internal risks and set out its commitment to embed risk management into the daily operations of the Council from objective setting, to service planning and operational processes. It was further noted that the policy and strategy related to strategic business risk.

The Council’s corporate risk management group had updated the policy and strategy with reference to the implications of the Comprehensive Spending Review 2007 (CSR07) and the new local performance framework as part of its ongoing work to improve the Council’s risk management arrangements. The
strategy identified the Council’s objectives for risk management and described how the Council would carry out the process of risk management. The objectives of the strategy were listed in paragraph 5.4. The Corporate Director thanked ConsortiumAudit for its help in updating the strategy and policy, and for its contribution to the risk management group.

It was noted that, once in post, the Head of Resources would be responsible for supporting the Council in the effective development, implementation and review of the risk management strategy.

The Committee noted that the strategy and policy were very technical and requested a plain English version. The Corporate Director agreed to produce a summary guide to assist wider understanding; he would circulate a draft to colleagues prior to presentation to the Committee to ensure plain English had been used.

The Chairman noted that she was to sign the policy, together with the Leader and Chief Executive.

RESOLVED that the risk management policy and strategy be adopted.

8 OTHER URGENT ITEMS

RESOLVED to note that there were none.