

# **Audit Committee**

**Thursday, 29 March 2007**

**Present:** Councillor Anthony Gee (Chair), and Councillors Geoffrey Russell and Shaun Smith

Officers Present: Gary Hall (Director of Finance), Garry Barclay (Audit and Risk Manager) and Dianne Scambler (Trainee Democratic Services Officer)

**Also in attendance:** Gareth Kelly (Audit Commission) and Mike Thomas (Audit Commission)

## **07.AU.01 APOLOGIES FOR ABSENCE**

Apologies for absence were received by Councillors Magda Cullens, Keith Iddon, Joyce Snape, Mary Wilson and Jack Wilson.

## **07.AU.02 MINUTES**

**RESOLVED – That the minutes of the meeting of the Audit Committee held on 18 January 2007 be confirmed as a correct record for signing by the Chair.**

## **07.AU.03 DECLARATIONS OF ANY INTEREST**

No declarations of interest were received.

## **07.AU.04 ANNUAL AUDIT & INSPECTION LETTER**

The Audit Commission submitted a report on the Annual Audit and Inspection Letter. This report provided an overall summary of the Audit Commission's assessment of the Council. The letter included a review of how well the Council had progressed, under the Direction of Travel report and the auditor's assessment of how well the Authority had managed its finances, through the Use of Resources scores. It is these results that would feed into any future decision regarding the potential for rescoring the Council's Comprehensive Performance Assessment (CPA) category.

Overall the findings in the report were pleasing and the main messages for the Council included, that:

- more significant improvements in our performance had been made over the last three years compared to all district councils, including those categorised as excellent district councils;
- our service level performance was good in all areas except minor planning although performance had been above the Governments stipulated target and this was to be addressed through e-planning and other management actions;
- support was being given to the Lancashire children and young people partnership to deliver a better deal for the young within the area;
- we continue to perform well in our use of resources, particularly strongly in value for money; and
- further improvements had been secured that enabled us to perform strongly in delivering value for money in terms of a range of economic, effective and efficient services.

Continuing actions were identified for the Council that related to members' responsibilities including the need to:

- monitor the impact of the large scale voluntary transfer of its housing stock in terms of the retained strategic housing function and overhead re-allocation across remaining service areas;
- further support and participate in developing governance and accountability arrangements within Lancashire Children and Young People Partnership;
- work with all the authorities in Lancashire to better integrate the approach to the Local Area Agreement and the county and district Local Strategic Partnerships.
- monitor the implementation of the revised Corporate Strategy to achieve top performance on the Council's overall use of resources;
- maintain and further develop financial management and value for money skills to challenge the future use of the Council's resources;
- further embed a wider ethical governance culture; and
- oversee the development of a data quality strategy and policy statement to drive accurate and timely performance information; with ownership and an understanding at the services level, that is the bedrock of performance management framework.

Mr Thomas stated that the Council had improved on its value for money in the delivery of its services and had scored 4 out of 4 in its use of resources category. The Authority is one of only a few district councils to have achieved this top performance.

The Director of Finance explained that a lot of work has been done to improve on our partnership working arrangements and the results of this were now being driven forward.

Mr Kelly reported that the Audit Commission had been liaising with the Director of Customer, Democratic and Legal Services regarding the management of Governance arrangements. The Ethical Governance Workshops had been very well received and it was planned to hold more in the future. The Members of the Committee made a commitment to encourage the Members of their political groups to attend these sessions.

To facilitate the strategic involvement of Members in performance management, the Audit Committee had been restructured as a cross party group to consider corporate governance. The acting Chair advised that as the Chair of this Committee does not receive a special responsibility allowance, the status of the Committee is diluted and he would like the present administration to look at this issue.

The Director of Finance also stated that they had been looking at the way in which the Audit Committee was constituted, It was acknowledged that the work of the Committee is now more specialised and Members need a degree of knowledge. A smaller Committee benefiting from extra training on the subject may be the answer.

**RESOLVED 1. That the Audit Committee notes the Annual Audit Inspection Letter and asks the Executive Cabinet to respond to the issues set out in paragraph 4 of the report and report back to this Committee.**

**2. That the Leaders Liaison Group be asked to reduce the membership of the Audit Committee to 6 Members.**

**3. That the Independent Remuneration Panel be requested to examine the possibility of giving a special responsibility allowance to the Chair of Audit Committee.**

## **07.AU.05 USE OF RESOURCES**

The Audit Commission submitted a report on the annual Use of Resources assessment which evaluates how well council's manage and use their financial resources.

This is the second year that the assessment had been carried out and the work had focused on the previous years work and updated it for any changes and improvements to the Council's arrangements.

The assessment focused on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services covering five themes.

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

The Council had scored highly on its use of resources, scoring a 3 on four of the themes and scoring a 4 on its value for money.

Findings show that the Council delivered a range of services in line with statutory duties and local needs. High performance and resident satisfaction was evident in key priority service areas. 71 per cent of all Best Value Performance Indicators had improved, achieved or exceeded target and resident satisfaction with council services remained high in priority areas.

**RESOLVED – That the report be noted.**

#### **07.AU.06 DATA QUALITY REVIEW**

The Audit Commission submitted a report giving details of a Data Quality Review of the Council. The Audit Commission had developed a new three-stage approach to the audit of performance indicators for 2005/06 in local government that focused on the Authority's arrangements to ensure quality data comprising:

(i) Management arrangements

A review had been taken to determine whether adequate corporate management arrangements for data quality were in place, and if they had been practically applied. They were assessed in relation to data quality against five key lines of enquiry (KLOE):

- Governance and leadership
- Policies and procedures
- Systems and processes
- People and skills
- Data use

(ii) Completeness check

An arithmetical check of specified BVPIs and non-BVPIs had been completed.

(iii) Data quality spot checks

An in-depth review of a sample of specified BVPIs and non-BVPIs had been carried out based on an assessment of risk. The sample had been drawn from two key service areas: housing and environment.

The authorities Best Value Performance Plan had also been reviewed to establish if it had been prepared and published within statutory guidance. The review had identified the following issues in terms of future targets:

- Future targets set below 2005/06 outturn; and
- Inconsistencies between targets for linked BVPIs

It was Important to place the target setting issue in context of 57 per cent of 2005/06 BVPIs, as identified from the CPA comparators toolkit, already being within the top quartile.

**RESOLVED – That the report be noted.**

#### **07.AU.07 INTERNAL AUDIT PLAN 2007/2008**

The Director of Finance submitted a report to remind Members of the respective roles of senior officers, members and Internal Audit to maintain a sound system of internal control within the Council and sought Members approval of the Annual Internal Audit Plan for 2007/08.

Corporate Governance is the product of all the interlocking systems and process through which an organisation manages and directs itself to determine and deliver its objectives.

The responsibility for the implementation of a sound system of governance and internal control lies primarily with the Council's senior management. To facilitate this the Corporate Improvement Board, comprising the following key officers have conducted the governance self-assessment:

- Director of Customer, Democratic and Legal Services (Monitoring Officer)
- Director of Finance (Section 151 Officer)
- Director of Policy and Performance

Internal Audit is an independent appraisal function, whose prime objective is to evaluate and report on the adequacy of the Council's system of governance and internal control. This is achieved by the Annual Internal Audit Plan that sets out a programme of reviews of the key business risks/systems that are pertinent at the time.

The 2007/08 Internal Audit Plan is structured into seven sections:

- Corporate Governance
- Risk Management
- Anti-Fraud and Corruption
- Review of Key Business Systems
- Review of Financial Systems
- Review of Key Operations
- Contingency

The plan is required to ensure that the Council has in place an adequate and effective internal audit of its system of governance, risk management and internal control in accordance with best practice and professional standards.

**RESOLVED – That the 2007/08 Internal Audit Plan be approved and submitted to the Executive Cabinet for adoption.**

#### **07.AU.08 GARETH KELLY**

The Director of Finance advised the Committee that this would be the last meeting that Mr Gareth Kelly of the Audit Commission would be attending as he was transferring to the Cumbria area.

The Members and Officers of the Audit Committee thanked Mr Kelly for all his work and support with the Authority over the years and extended best wishes for the future.

Chair