

# Audit Committee

Thursday, 15 January 2009

**Present:** Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Geoffrey Russell

**Officers Present:** Gary Hall (Assistant Chief Executive (Business Transformation)), Andrew Docherty (Director of Corporate Governance), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Internal Audit Manager), Chris Sinott (Policy, Performance and Business Improvement Manager) and Tony Uren (Democratic and Member Services Officer)

**Also in attendance:** Tony Hough (Audit Manager, Audit Commission) and David Brown (Audit Commission)

## 09.AU.01 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Tim Watkinson (Acting District Auditor, Audit Commission).

## 09.AU.02 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in any of the items on the meeting's agenda by any of the Committee Members.

## 09.AU.03 MINUTES

**Resolved - That the minutes of the meeting of the Audit Committee held on 25 September 2008 be confirmed as a correct record and signed by the Chair.**

## 09.AU.04 WORKING IN SYNERGY ON SHARED SERVICES

The Assistant Chief Executive (Business Transformation) gave a short presentation to update the Committee on the implementation of the innovative partnership venture with South Ribble Council to share financial services.

The Committee was informed that the legal agreement between the two authorities to define and regulate the venture had been completed. The transition had been effected and work programmes were well in hand.

The new arrangements set up a framework for financial services under which (i) shared financial and management accountancy, exchequer and procurement services would be hosted by Chorley Council as the employing authority and (ii) shared assurance services (including internal audit, risk management, business continuity and insurance services) would be hosted by South Ribble Council as the employing authority. Two senior posts to manage the separate Financial and Assurance Services elements had been created, with the majority of other posts having been filled. A Joint Committee, comprising two Members from each Authority, had been established with responsibility to monitor the effective delivery of the initiative and to make any appropriate recommendations on governance and performance management issues to the respective authorities. The principal costs of the new service would be shared equally between the two Councils.

The Members were pleased to note that the joint venture had been implemented successfully and were optimistic that the partnership project would, ultimately, deliver

efficiency savings and continuous service improvements, including a common IT platform and more effective procurement procedures.

#### **09.AU.05 DATA QUALITY, 2008**

The Chair welcomed Tony Hough (Audit Manager) and David Brown from the Audit Commission who presented the external auditors' findings from their work in measuring the Council's data quality arrangements in 2007/08.

The Audit Commission's three-stage approach to the review of data quality (i.e. through an assessment of Corporate Management arrangements; an analytical review of BVPI and non-BVPI data; and data quality spot checks) had focused on the Council's actions to address previously identified weaknesses and recommendations.

The Commission had found that, overall, the Council's corporate arrangements for data quality had been consistently above minimum requirements and that the Council had strengthened its arrangements in respect of each of the review themes.

The Commission's analytical work had identified that the performance indicator values reviewed had fallen within expected ranges and had been substantiated by evidence. The Commission's spot checks of performance indicator statistics in relation to the processing of new claims and changes in the circumstances of claimants for Housing and Council tax Benefits had resulted in an action plan being agreed to address two administrative issues arising from the review.

The Policy, Performance and Business Improvement Manager highlighted the need for the Council to ensure that the data on which performance assessments are used was accurate and up-to-date and that performance management policies and procedures were as robust as possible. The Internal Audit Manager also referred to the new performance management systems being introduced to question and verify submitted data and to identify the relevant factors to be taken into account in the interpretation of the data.

The Chair thanked Mr Hough and Mr Brown for their report at the conclusion of the discussion.

#### **09.AU.06 USE OF RESOURCES**

##### **(a) Use of Resources, 2008**

The Committee received and considered the Audit Commission's final report on its assessment of the Council's use of resources in 2007/08.

The Commission's assessment represented the last review under the Comprehensive Performance Assessment regime (CPA), as the assessment of resources in 2008/09 would form part of the new Comprehensive Area Assessment (CAA) regime. The review aimed to evaluate the effectiveness of the strategic financial management and reporting systems, and the soundness of governance arrangements, with the assessment centring on five key lines of enquiry (i.e. financial reporting, financial management, financial standing, internal control and value for money).

For the second year running, the Council had achieved an overall maximum score of 4 for its use of resources, having performed strongly in terms of internal control and value for money, and consistently above minimum requirements on the other themes.

The Chair thanked Mr Hough for the Audit Commission's report and the Committee congratulated the Assistant Chief Executive (Business Transformation), his Directorate and other staff across the Authority in maintaining the excellent score.

**(b) Use of Resources, 2009**

Tony Hough (Audit Manager with the Audit Commission) gave a presentation on the changes to be introduced for the 2009 evaluation of the Council's use of resources.

Mr Hough explained that from 2008/09, the Auditor's assessment would be based on new key lines of enquiry and would form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

Future assessments would be structured around the following three themes:

- Managing finances (sound and strategic financial management);
- Governing the business (Strategic commissioning and good governance);
- Managing resources (effective management of natural resources, assets and people).

The new key lines of enquiry within the identified themes would reflect better the needs of the CAA regime and incorporate a number of improvements, including a clearer focus on value for money achievements, a greater emphasis on commissioning of services; outcomes for local people; and partnership working.

Not all of the key lines of enquiry on the Managing resources theme would be assessed each year. The Commission would specify each year in its annual work programme and fees document which key lines of enquiry would be assessed in that year. In 2008/09, District Council's workforce planning arrangements were due to be assessed.

Under the new arrangements, Authorities would be categorised under one of the following three levels:

- Level 2 = Performs adequately (Authorities that meet a statutory, acceptable performance);
- Level 3 = Performs well (Authorities that perform consistently above minimum levels, are forward thinking and proactive and work well with partners);
- Level 4 = Performs excellently (Authorities that perform well above minimum levels and demonstrate innovation, best practice and strong outcomes for the community).

The Members recognised the challenges that the new assessment regime would present, but were optimistic that the robust performance management and governance arrangements already in place would ensure that the Council fared well under the new systems. The Authority already had a productive working relationship with its external partners and was likely to be able to identify and influence the improvement of any poor performing areas.

The Chair thanked Mr Hough at the conclusion of his address and suggested that the new CAA regime might form part of a future Member Learning session.

## 09.AU.07 INTERNAL AUDIT ACTIVITIES, 2008/09

The Assistant Chief Executive (Business Transformation) presented a report on the work undertaken by the Internal Audit Section up to mid December 2008 as part of the Annual Internal Audit Plan and indicating the work yet to be completed.

The newly appointed Head of Shared Assurance Services reported that work on the Plan had slipped as a result of the Section's contribution to the work required by the transition to the new shared financial services arrangement. The Section had, however, assisted the Audit Commission in its Use of Resources assessment and had undertaken work with Directorates on the maintenance of asset registers and a review of the Authority's e-claims system, together with other work not referred to in the submitted report.

The Committee were also advised that responsibility for health and safety issues would be transferred from the Internal Audit Section to Preston City Council under the terms of a new contract with effect from 1 April 2009. This would allow the service to be audited independently by the Internal Audit Section.

The Officers were confident that, despite the recent pressures on the Section, the 2008/09 Audit Plan was now firmly on course to be achieved.

**Resolved** – That the interim report be noted.

Chair