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At a Meeting of the

AUDIT COMMITTEE

Held on Tuesday, 25 March 2008 at 2.15 pm in
Anglia Room, Conference Suite, Elizabeth House, Dereham

PRESENT

Mr C.R. Jordan (Chairman) Mr P.J. Hewett
Mr R.P. Childerhouse Mr R.G. Kybird

In Attendance

Melanie Buttery - Accountancy Officer Technical
Mark Finch - Chief Accountant (Breckland)
Tim Leader - Deputy Chief Executive
Susan L. Smith - Senior Accountant
Ian Vargeson - Democratic Services Manager (Breckland)
Elaine Wilkes - Senior Committee Officer

9/08 MINUTES

The minutes of the meeting held on 20 February 2008 were confirmed as a correct record and signed by the Chairman.

10/08 APOLOGIES

Apologies for absence were received from Mr. M. Fanthorpe and Mrs. S.C. King, Audit Manager.

11/08 RISK MANAGEMENT (AGENDA ITEM 8)

The Deputy Chief Executive presented an overview of Risk Management to inform Members of the background to the Council's present position, details of the systems and methodology introduced for controlling the risk management process, monitoring risk through the use of the performance management system and the framework provided through the newly adopted Risk Management Strategy. A copy of the Strategy document was circulated to Members at the meeting.

Historically, Breckland had been scored low by the Audit Commission on the grounds of an inadequate risk management framework and structure that was also under-resourced and not embedded within the Council. Since then, the Council had adopted a new Risk Management Strategy.

The new risk management system identified key risks in the following areas:

- Corporate & Partnership
- Services
- Decisions
- Projects and Programmes

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The risk management methodology was based on a risk cycle, which had at its core the Risk Management Strategy, around which there was a continuous cycle of risk identification, analysis, control and monitoring.

All Directorates had identified high risk areas. The highest area of risk concerned corporate governance, particularly in the area of Partnerships where limited risk management had been undertaken, either at the strategic level or with key partners.

Service area risks were reviewed by Directors and recorded on the TEN management performance system.

So far as decision making was concerned, the reporting template had been revised to provide more specific information to aid that process.

Risk management of projects and programmes had been a real issue of concern and action had been taken through the new methodology to address these concerns through the establishment of a formal corporate framework to be managed by the Corporate Management Team.

Performance management was controlled and monitored through regular reporting to portfolio meetings with Executive Members and officers, through the Risk Management Group and Risk Board, through performance clinics and the Hothouse process.

Risk management was continuing to be embedded throughout the Council, through training, monitoring through the TEN performance management system, with strategic direction being provided through the Audit Committee.

Issues to be addressed related to:

- The significant weaknesses remaining in the areas of projects and programmes risk and partnership risks.
- The understanding of how to identify and analyse risk was patchy and there was a need for further training and quality control.
- To ensure there were adequate resources and skills in risk management.
- How risk issues were selected, prioritised and escalated to Member level.

The latest Direction of Travel statement from the Audit Commission noted the improvements being made by the Council.

During the discussion that followed, a member suggested that an intrinsic element of risk management was that of wider management and capability or competence in that area. It was a difficult area and many larger businesses, including banks, had found themselves lacking in this field. But it could be a way to help the Council advance from the present level 1 score to level 3 score on risk management, which should be the aim.

A key to developing the role of risk management was considered to be the need to have a real understanding of risk. In this connection, a member suggested a starting point might be to ask service areas to carry out a prioritising exercise to establish their understanding of risk.

So far as partnership risk was concerned, it was noted that discussions were taking place with Norfolk County Council in this area, although this excluded the Local Strategic Partnership which was being dealt with as a separate exercise.

It was suggested that, as a first step, it would be useful if the Council was to undertake a partnership case study. There were three types of existing partnership with which the Council was involved:

- Statutory (e.g. LSP)
- Contractual (e.g. Serco, Steria)
- Hybrid (e.g. ARP)

It was suggested that, because of its unique set-up as a three-Council partnership, the ARP presented itself as a good area for a case study. Although it would be a fairly difficult task, it was felt that establishing a risk framework for such a body would be of interest to all three partners and could provide a valuable learning tool.

The purpose of such a case study would be to:

- Establish details of the existing governance and risk framework for that partnership area
- Identify current risks
- To learn from the model and apply results to the Council's risk management model

RESOLVED that a report be submitted to the next meeting with

- (1) outline proposals for a case study of the ARP;
- (2) a list of all existing partnerships; and
- (3) details of the proposed consultancy with Norfolk County Council for undertaking an assessment of risk management for all partnerships.

12/08 INTERNAL AUDIT – TERMS OF REFERENCE, CODE OF ETHICS, AUDIT STRATEGY, STRATEGIC AND ANNUAL AUDIT PLANS (AGENDA ITEM 6)

The Chief Accountant presented the report on behalf of the Audit Manager.

Members highlighted that the statement on risk in paragraph 4 of the report was unclear. It was explained that it was a standard wording where the risk assessment identified no new or additional significant risks. It was agreed that this could be clarified and that the template should be amended to delete the words "in terms of

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risk” at the end of this statement.

In answer to a question, it was explained that there were two half-year reports which gave details of progress on whether recommended actions had been implemented or not. The TEN performance management system also enabled regular monitoring to ensure follow-up actions were carried out, as well as regular follow-up work by internal audit.

On another question, it was explained that the Council received full background information on internal audit reports but that the picture was not so clear in regard to external audit reports. The Chief Accountant offered to discuss this with the Audit Manager.

Members felt that a glossary of terms used in the documents would be helpful.

In this connection, the Committee sought clarification of the relationship between the Audit Strategy and the Strategic and Annual Audit Plans and it was agreed to bring further information on this to the next meeting, together with information on how costs are applied with the appointment of new contractors to allow for the time needed for them to learn their new client’s systems.

RESOLVED that

- (1) the revised Internal Audit Terms of Reference be approved;
- (2) the Code of Ethics for Internal Audit be approved;
- (3) the Internal Audit Strategy 2008-09 be approved;
- (4) the Strategic Audit Plan 2008/09 – 2012/13 be approved;
- (5) the Annual Audit Plan 2008-09 be approved;
- (6) the Audit Manager be requested to report back to the next meeting to explain the relationship between the Audit Strategy and Strategic and Annual Audit Plans.

13/08 AUDIT JOINT WORKING PROTOCOL (AGENDA ITEM 7)

The Chief Accountant presented the report.

As for the previous item, it was explained it was a standard wording where the risk assessment identified no new or additional significant risks. It was agreed that this could be clarified and that the template should be amended to delete the words “in terms of risk” at the end of this statement.

The Committee otherwise supported the adoption of the Protocol and accordingly it was

RESOLVED that the Audit Joint Working Protocol be adopted.

14/08 VALUE FOR MONEY (AGENDA ITEM 9)

The Chief Accountant gave a presentation on how value for

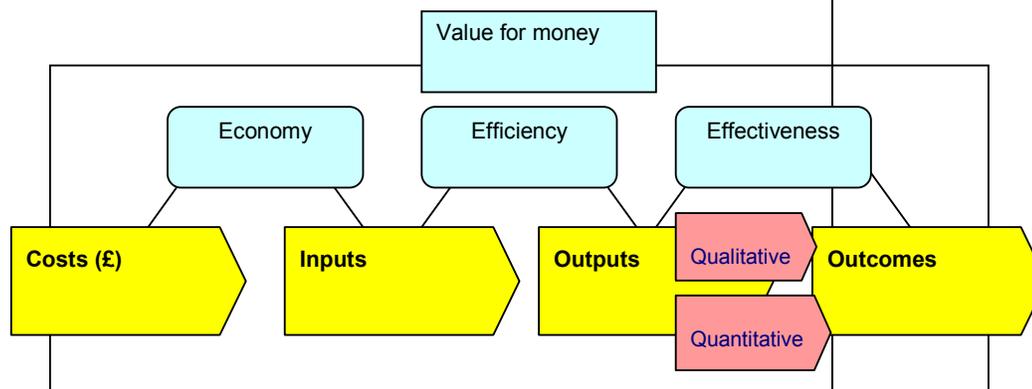
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**Sandra C.
King**

money was delivered by the Council and a copy of the Value for Money Strategy was circulated which described and explained how the Council ensured it delivered value for money services.

'Value for Money' was defined as: *The optimum combination of whole life cost and quality (or fitness for purpose) to meet the user's requirement.*

The Audit Commission's 'Value Chain' was illustrated as follows:



At present, the Council stood as follows:

- Cost – Lowest Council Tax
- Performance – Improving
- Customer Satisfaction – Improving

However, on the use of resources, the Audit Commission had scored the Council at a rating of 2, which was 'adequate'. The reason for this rating was felt to be that the Council needed to better document how it achieved value for money.

The Audit Commission's annual inspection letter stated that, while overall performance was improving and the commitment to value for money was strong, the Council sometimes failed to effectively identify and document its progress.

The Council's value for money strategy was designed to:

- Demonstrate the corporate commitment to ensure value for money was an integral part of the Council's everyday business
- To ensure integrated service, performance and financial planning through the Annual Delivery Plan and Service Team Plans which was performance monitored
- To ensure the capital strategy directed capital investment decisions and that the property portfolio continued to consistently deliver substantial income
- To ensure effective decision making by requiring significant decisions to be based on a full business case that demonstrate they accord with the tenets of value for money and through the role of the Audit Committee to provide a strategic overview of the performance of the Council's financial systems, performance management,

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- risk management and internal audit arrangements
- To provide for the role of scrutiny and review
- To undertake regular surveys of customer satisfaction and to action feedback, to ensure that the Council continued to listen, learn and share

So far as the question of economy/cost was concerned, specific measures had been taken to enhance procurement of goods and services and maximise resources through effective raising and collection of income, fees and charges.

On efficiency, the Strategy involved a review of services and a business process review and transformation, together with monitoring and reviewing performance.

On effectiveness of value for money, the Strategy provided for monitoring user satisfaction and feedback to guide the redesign of functions.

A baseline review had also been undertaken. This took the form of workshops with small groups of managers and explained the concept of value for money, introduced the value for money strategy and the toolkit to be used for annual value for money reviews. Information was captured covering costs and efficiency measures, performance, customer satisfaction and benchmarking results.

The conclusions from the review showed that:

- Services should make better use of financial information to better understand the relationship between costs and performance.
- Some areas had few performance measures and should develop meaningful ways of assessing performance.
- Benchmarking for improvement should become a routine part of service management.

Services to be reviewed were:

- Leisure, Culture and Community
- Street Scene
- Asset Management
- Commercial Property
- ICT
- Development Services and Building Control
- Environmental Planning

The next steps were to carry out:

- A review of services using the value for money toolkit
- A comprehensive review of fees and charges
- To develop a financial reporting system to assist managers
- Development and monitoring of performance measures
- Benchmarking

A member suggested that benchmarking could be made against the Council's audit partners and the Chief Accountant agreed to take this idea up with the Audit Manager and the partner authorities.

Members of the Committee concurred with the view that although the Council achieved good value for money, it had not been good at backing this up through its evidence base.

It was suggested that a service area be selected as a case study to review the reporting mechanisms and how effective they were. The Chief Accountant proposed, in response, that the results of the service area reviews be reported back in due course for that purpose.

RESOLVED that the position on the value for money strategy be noted and the results of the service area reviews be reported back in due course.

15/08 NEXT MEETING

The arrangements for the next meeting on 11 June 2008 and the training day on 18th April were noted.

The following Items were noted for the next meeting:

- Internal Audit Annual Report
- Annual Governance Statement
- Risk Management (Minute 11/08 refers)
- Draft Statement of Accounts

The meeting closed at 4.20 pm

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Mark Finch

CHAIRMAN