

BRISTOL CITY COUNCIL
JOINT MEETING OF THE AUDIT AND STANDARDS COMMITTEES
9 April 2010

Report of: Strategic Director (Resources)

Report Title: Comprehensive Area Assessment (CAA) requirements, Audit and Standards Committee

Ward: Citywide

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RECOMMENDATION

The Joint Committee is recommended to note the expectations of the Comprehensive Area Assessment (CAA) Use of Resources (UoR) Key Lines of Enquiry (KLOEs), and assess whether these expectations are satisfied in relation to the two Committees.

SUMMARY

The significant issues in the report are:

- the general requirements of the CAA UoR KLOEs (paragraphs 1.1 to 1.5)
- the specific requirements of the KLOEs relating to governance, risk management and internal control (paragraphs 2.1 to 2.3)
- the expectations of the Audit and Standards Committees (sections 3 and 4)

Policy

The Council is, by statute, required to have a Standards Committee. It is also recognised as "best practice" to have an Audit Committee, with the Chartered Institute of Public Finance and Accountancy (CIPFA) issuing guidance on the structure and role of such a Committee. The clear expectations in relation to both Committees, contained in the Comprehensive Area Assessment (CAA) Use of Resources (UoR) Key Lines of Enquiry (KLOEs), are set out in this report.

Consultation:

Internal: None necessary

External: None necessary

1. Background

- 1.1 With effect from 2009 the previous Comprehensive Performance Assessment (CPA) was replaced by the Comprehensive Area Assessment (CAA). Under the new regime, the Audit Commission will no longer look at the activities of a local authority alone, but look at the way an authority delivers services, together with its partner organisations, across the area.
- 1.2 Under the CAA Use of Resources regime, the assessment takes place across three broad categories, namely:
- managing the finances
 - governing the business
 - managing resources
- 1.3 Within each of the categories, there is a generic introduction to the high level KLOE question (shown in bold below), together with supporting KLOEs themselves, namely:

1.3.1 Managing Finances

How effectively does the organisation manage its finances to deliver value for money?

- 1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?.
- 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?
- 1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

1.3.2 Governing the Business

How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

- 2.1 Does the organisation commission and procure quality services and supplies tailored to meet local need, to deliver suitable outcomes and value for money?
- 2.2 Does the organisation produce relevant and reliable financial data and information to support decision making and manage performance
- 2.3 Does the organisation promote and demonstrate the principles and

values of good governance?

- 2.4 Does the organisation manage its risks and maintain a sound system of internal control?

1.3.3 Managing Resources

How well does the organisation manage its natural resources, physical assets and people to meet current and future needs, and deliver value for money?

- 3.1 Is the organisation making effective use of natural resources?
- 3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?
- 3.3 Does the organisation plan, organise and deliver its workforce effectively to support the achievement of its strategic priorities?
- 1.4 For each of the KLOEs the expectations are set out in relation to " getting the basics right" (level 2), and "performs well" (level 3).
- 1.5 With the exception of 3.3 above, relating to the workforce, which will not apply to single tier authorities until 2010, councils will be assessed against the new expectations in 2009.
- 1.6 The Audit Commission, and the Council's external auditors, Grant Thornton, who undertake the UoR assessment on the Commission's behalf, have made it clear that the emphasis will be on outcomes, rather than processes, particularly at level 3 - performs well.

2. Governance, Risk Management and Internal Control

- 2.1 In relation to paragraph 1.4.2 above, KLOEs 2.3 and 2.4 relate specifically to governance, risk management and internal control.
- 2.2 For KLOE 2.3, there are sub questions as follows:
The organisation :
- Has adopted, promotes and demonstrates, the principles of good governance (2.3.1)
 - Maintains focus on its purpose and vision (2.3.2)
 - Demonstrates a strong ethical framework and culture (2.3.3)

- Applies the principles and values of good governance to its partnership working (2.3.4)

2.3 For KLOE 2.4, there are sub questions as follows: :

The organisation has:

- Effective risk management which covers partnership working (2.4.1)
- A clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption (2.4.2)
- A sound system of internal control including internal audit (2.4.3)

3. Audit Committee Requirements

3.1 The expectations in the KLOEs in relation to the Audit Committee are as follows:

KLOE 2.4.1 Risk Management (getting the basics right)

- Members are responsible for and engage in corporate risk management and work closely with the Audit Committee

KLOE 2.4.3 Internal Control (getting the basics right)

- Delivers the core functions of an audit committee

KLOE 2.4.3 Internal Control (performs well)

- The council has an audit committee that is balanced in membership, objective, independent and knowledgeable
- The audit committee can demonstrate the positive impact of its work through providing effective challenge across the organisation. This includes providing assurance in the council's arrangements for:
 - Risk management
 - Maintaining effective internal control
 - Reporting on financial and other performance
- The audit committee can demonstrate it is effectively monitoring progress against any actions to address significant internal control

issues

- The audit committee takes appropriate action to address issues highlighted in internal and external audit reports and other inspectorate reports.
- The audit committee ensures it is aware of the work undertaken by other committees, for example scrutiny, so it can take account of any significant control issues.

4. Standards Committee Requirements

4.1 The expectations in the KLOEs in relation to the Standards Committee are as follows:

KLOE 2.3.3 Demonstrates a strong ethical framework and culture (getting the basics right)

- The standards committee is effective in its role for overseeing compliance with the code of conduct. It has three roles in relation to complaints about member conduct:
 - Receiving and assessing complaints
 - Reviewing local assessment decisions
 - Conducting hearings following investigation
- The standards committee advises the leadership on how it can impact positively on staff and public confidence and trust in the organisation.

KLOE 2.3.3 Demonstrates a strong ethical framework and culture (performs well)

- The standards committee is outward facing and works to ensure that both its partners and the public have awareness of the local standards framework, for example, a web page explaining the role of the standards committee and how to make a complaint.

5. Other Options Considered

5.1 None necessary

6. Risk Assessment

6.1 Without effective Audit and Standards Committees, the Council runs the risk of having unsatisfactory governance arrangements, which could lead to specific failures in the way in which the Council is managed and controlled. As one major theme of the CAA UoR is “Governing the Business”, a failure to comply with CAA's requirements in relation to “governance” may also effect future scores in this assessment.

7. Equalities Impact Assessment

7.1 None necessary for this report

8. Legal and Resource Implications

8.1 **Legal** - none sought

8.2 **Resource** - none as a result of this report.

Appendices

None

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers

CAA Use of Resources Key Lines of Enquiry