

## **BUSINESS EFFICIENCY BOARD**

*At a meeting of the Business Efficiency Board held on Wednesday, 29 June 2011 at the Civic Suite, Town Hall, Runcorn*

Present: Councillors Leadbetter (Chairman), M Lloyd Jones (Vice-Chairman), Balmer, Browne, A. Lowe, Macmanus, Philbin, Roberts and Rowe

Apologies for Absence: Councillor Howard

Absence declared on Council business: Councillor McDermott

Officers present: I. Leivesley, M. Murphy, M. Simpson, C. Williams and M. Thomas

### **ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD**

		<i>Action</i>
BEB1	MINUTES	
	The Minutes of the meeting held on 9 <sup>th</sup> March 2011, were taken as read and signed as a correct record.	
BEB2	DECLARATION OF INTEREST	
BEB3	BUSINESS EFFICIENCY BOARD - WORKPLAN 2011/12	
	The Board considered a report of the Strategic Director, Policy and Resources which provided the indicative core workplan for the Business Efficiency Board for 2011/12. The workplan was set out in the report for information and outlined areas for consideration by the Board at each of its meetings over the financial year to help ensure that it met its responsibilities. Areas for consideration were noted as follows:-	
	<ul style="list-style-type: none"><li>• Internal Audit;</li><li>• Financial Reporting;</li><li>• External Audit;</li><li>• Governance;</li><li>• Risk Management;</li><li>• Anti Fraud and Corruption;</li></ul>	

- Other Audit Committee Matters;
- Procurement; and
- Efficiency

It was further noted that the workplan had been prepared taking into account a practical spread of issues across the year allowing for specific items that were determined by statutory or other prescribed timescales. It was also noted that it was possible any issues may arise throughout the year that would require additional reports to be added.

The Board wished to place on record their thanks to Collette Williams and Mike Thomas for their suggestion of developing a work plan.

RESOLVED: That the workplan for 2011/12 be approved.

Strategic Director  
- Policy &  
Resources

*(NB: Councillor Macmanus declared a personal interest in the following item due to being employed for a company carrying out work for the audit commission)*

#### BEB4 ANNUAL AUDIT FEE LETTER 2011/12

The Board received the report of the Strategic Director, Policy and Resources which presented the Audit Commission's Audit Fee Letter for 2011/12.

Detailed in the letter was an outline of the work programme and confirmation of the proposed fee for the 2011/12 Audit of Halton Borough Council. It was further noted that the fee reflected the risk based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covered the audit of financial statements, value for money conclusion and the whole of Government accounts.

Members were advised that the audit for 2010/11 was not yet completed therefore the audit planning process for 2011/12 including the risk assessment would continue as the year progressed.

It was reported that the scale fee for Halton Borough Council was £232,205 and there was a 10% reduction in the fee. The scale fee was based on the planned 2010/11 fee, adjusted for the proposals summarised in the report and detailed in a table for Members' consideration. It was noted that variations from the scale fee would only occur where

assessments of audit risk and complexity were significantly different from those identified and reflected in the 2010/11 fee.

RESOLVED: That the Audit Commissions Audit Fee Letter for 2011/12 be noted.

#### BEB5 FUTURE OF LOCAL PUBLIC AUDIT

The Board considered a report of the Operational Director, Finance which informed Members of a consultation by Communities and Local Government (DCLG) of the Future of Local Public Audit which may result in changes to the role and membership of Audit Committees.

It was noted that on the 30<sup>th</sup> March 2011 DCLG issued a consultation document entitled The Future of Local Public Audit, with a deadline for responses of 30<sup>th</sup> June 2011. It was further noted this was a consequence of the abolition of the Audit Commission and set out proposals for arrangements in relation to the appointment of external auditors and the role of audit committees.

Members were advised that Halton had contributed to a response to the consultation by the Liverpool City Region's Directors of Finance, a copy of which was appended to the report for information.

The Board also considered a letter received from Sir Bob Kerslake, which provided an update on the future of the Audit Commission and their local public audit work.

A summary of the consultation was detailed in the report for consideration and set out the following:-

- Consultation Principles;
- Regulation of Local Public Audit;
- Commissioning Local Audit Services; and
- Scope of Public Audit.

Members raised concerns regarding the proposed requirements for an independent Chair and Vice Chair plus independent members on the new board, freedom of information costs, and the issue of no longer being able to challenge the accounts.

The Board agreed that it was happy with way the Councils current Audit Committee arrangements operated and noted that there was no explanation provided as to why current arrangements needed to change.

Tabled at the meeting were additional concerns and a suggestion that the Board was not aware of any evidence nationally that Audit Committees in local government were not currently undertaking their role effectively, or that having Independent Membership, with little background knowledge of the Council would increase that effectiveness.

RESOLVED: That

- 1) the report including the response to the consultation from the Liverpool City Region's Director of Finance be supported;
- 2) the following additional comments be sent to the DCLG for information:
  - Elected Council Members currently form the membership of Audit Committees and undertake this role, in accordance with guidance from CiPFA, in a very objective and robust manner. The operation of the Audit Committee is also regularly reviewed by each Council's external auditors;
  - Part of an Elected Member's role on any Council Board or Committee is to scrutinise, challenge and be objective, which therefore lends itself to their role on an Audit Committee;
  - The role of the Audit Committee in Halton is provided by the Business Efficiency Board, who provide very robust scrutiny of all matters. This is particularly aided by Elected Member's extensive knowledge of the Council's operations and the differing backgrounds of the individuals on that Board;
  - The Council's external auditors consider that the Business Efficiency Board operate as a very effective Audit Committee;
  - The Board is not aware of any evidence nationally that Audit Committees are not currently undertaking their role effectively, or that having Independent Membership, with little background knowledge of the Council, will increase that effectiveness.

Strategic Director  
- Policy &  
Resources

*(NB: Councillor M. Lloyd Jones declared a personal interest in the following item due to being a Governor at St Edwards and Councillor Browne declared a personal interest in the following item due to being the Chair of Governors at Ditton Nursery School)*

BEB6 INTERNAL AUDIT ANNUAL REPORT 2010/11

The Board received a report of the Operational Director, Finance which set out the Head of Internal Audit's annual opinion of the adequacy and effectiveness of the Council's control environment. Members were informed that the control environment was the collective term used to describe the Council's risk management, control and governance processes. Members were also advised that the CIPFA Code of Practice for Internal Audit in Local Government required the Head of Internal Audit to provide a written report to the Council Audit Committee timed to inform the Council's Annual Governance Statement.

The report informed Members of the internal audit work undertaken during the year, which provides the basis of the overall opinion of the Council's control environment. It was the view of the Head of Internal Audit that the Council's control environment remained effective. Where weaknesses in controls had been identified through the work of internal audit, management had responded positively to address the issues identified.

It was further reported that the Accounts and Audit Regulations 2011 provided a requirement for local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review was intended to provide Members with a basis for determining the extent to which reliance could be placed in the Internal Audit opinion.

The Board wished to place on record its thanks to the Internal Audit team for the work carried out over the year.

RESOLVED: That

- 1) the Head of Internal Audit's opinion on the Council's control environment be noted; and
- 2) the findings of the review of the effectiveness of internal audit be noted.

Strategic Director  
- Policy &  
Resources

BEB7 COUNTER FRAUD MEASURES

The Board considered a report of the Strategic Director, Policy and Resources which provided an update of the measures that the Council had established to counter the risk of fraud, the counter-fraud activity undertaken in 2010/11 and the Council's response to the UK Bribery Act 2010.

It was reported that the Council had a well-established framework of policies, procedures and functions that collectively helped to manage the risk of fraud and corruption. Key elements of the framework were detailed in the report for information.

It was further reported that during 2010/11, a number of measures were undertaken to further develop the Council's counter fraud measures details of which were set out in the report for Members' consideration.

Members were informed that the biggest risk of fraud facing local authorities continued to be in respect of claims for Housing Benefit and Council Tax Benefit. Members were advised of the important role that the Benefits Investigation Unit had to play in the Council's overall counter fraud arrangements.

It was reported that the Council had recently received the results from the Audit Commissions National Fraud Initiative which was a data matching exercise that took place every two years. It was further noted that the data matching results were currently being investigated and that the outcomes would be reported to the Board at a later date. The datasets that were examined as part of the National Fraud initiative were set out in the report for information.

It was reported that the UK Bribery Act 2010 was a new piece of legislation designed to help combat bribery and corruption, which simplified the existing law on bribery, enabling the Courts to deal with it more effectively. The four offences that were covered under the Act were set out in the report in addition to the key principles to follow to determine what adequate procedures equated to in any one organisation depending on its exposure to risk.

Members were advised that the Anti Fraud and Corruption Strategy and Fraud Plan and documentation associated with the procurement process would be reviewed and updated as necessary.

The Board discussed fraud awareness training that had been rolled out across the authority and the excellent

job the benefit fraud investigation team have achieved.

RESOLVED: That

- 1) the update on the Council's counter fraud activity be noted; and
- 2) the Board endorse the further developments proposed.

Strategic Director  
- Policy &  
Resources

**BEB8 ANNUAL GOVERNANCE STATEMENT 2010/11**

The Board received a report of the Strategic Director, Policy and Resources which enabled Members to consider and approve the Annual Governance Statement for 2010/11.

It was reported that under the Accounts and Audit Regulations 2011 the Council had to produce an Annual Governance Statement (AGS) in a format recommended by CIPA/SOLACE, to accompany the Statement of Accounts. It was reported that this was a change from previous years where the AGS was an integral part of the Statement of Accounts. This change was to emphasise that the AGS was separate from the accounts for the purpose of external audit.

It was noted that the AGS was intended to identify any areas where the Council's governance arrangements were not in line with best practice or were not working effectively, together with action plans for improvement. Members were informed that CIPFA advised that the AGS should be drafted in order for it to accompany the signed and dated Statement of Accounts by end of June.

The report further set out the process followed in preparing the 2010/11 Annual Governance Statement and the outcome of the review of the Council's governance arrangements. It was noted that no significant governance issues had been identified through the 2010/11 review of the Council's governance framework that required disclosure in the AGS. Appended to the report for consideration was the draft AGS for 2010/11.

RESOLVED: That the Council's Annual Governance Statement be approved.

Strategic Director  
- Policy &  
Resources

**BEB9 EFFICIENCY PROGRAMME UPDATE**

The Board considered a report of the Strategic Director, Policy and Resources which provided an update of

progress made to date with the Efficiency Programme.

It was reported that wave 3 of the programme was in process with some wave 2 workstreams continuing and others closing. Each workstream was bringing in its own challenges and a summary of progress to date against each workstream was set out covering areas as follows:-

- Review of Open Spaces (Wave 1);
- Review of Property Services (Wave 1);
- Review of Revenues and Benefits and Halton Direct Link (Wave 2);
- ICT Support Services Review (Wave 2);
- Review of Contracted Services Schools (Wave 2);
- Review of Operational Fleet and Client Transport (Wave 2);
- Transactional/Non Transactional: Process Review (Wave 2);
- Libraries Service Review (Wave 2 – Directorate Led);
- Review of Income and Charging (Wave 3);
- Review of the Contact Centre (Wave 3);
- Review of Business Development and Regeneration (Wave 3);
- Review of Development Control/Building Control (Wave 3)';
- Review of Adults and Children's Social Care Commissioning (Wave 3);
- Review of Community Services (Wave 3);
- Traded Services Workstream (Wave 3);
- Wave 1 Savings; and
- Wave 2 Savings to date.

RESOLVED: That the report be noted.

BEB10 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

- (1) whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered,



exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

- (2) whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972 because it is likely that, in view of the nature of the business, exempt information will be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

#### BEB11 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Operational Director Finance which provided a summary of internal audit work completed since the last progress report.

The report set out key issues and recommendations arising from the audits completed details of other work completed by Internal Audit in the quarter and the results of the work undertaken following the implementation of previous Internal Audit recommendations.

RESOLVED: That the Internal Audit work completed for the quarter be noted.

*Meeting ended at 8.00 p.m.*