

**AGENDA MANAGEMENT SHEET**

**Name of Committee**

**Leader Decision-Making Session**

**Date of Committee**

**6 January 2010**

**Report Title**

**Warwickshire County Council Submission into the Audit and Inspection of Local Authorities.**

**Summary**

This paper outlines a draft Warwickshire County Council submission to the CLG select committee inquiry into the Audit and Inspection of Local Authorities.

**For further information please contact:**

Tricia Morrison  
Head of Performance  
Tel: 01926 416319  
triciamorrison@warwickshire.gov.uk

John Betts  
Head of Finance  
Tel: 01926 416319  
johnbetts@warwickshire.gov.uk

**Would the recommendation decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]**

No.

**Background papers**

None

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

Other Committees

Local Member(s)

NA

Other Elected Members

Cllr Farnell, Cllr Tandy, Cllr Roodhouse, Cllr Stevens

Cabinet Member

Chief Executive

Jim Graham

Legal

Jane Pollard

Finance

John Betts, Virginia Rennie

Other Chief Officers

SDLT

- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

***FINAL DECISION:***

***SUGGESTED NEXT STEPS:***

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

## Leader Decision Making Session - 6 January 2010.

### Warwickshire County Council submission to the CLG inquiry into the Audit and Inspection of Local Authorities.

#### Report of the Assistant Chief Executive

#### Recommendation

That the Leader approves the draft Warwickshire County Council submission to the CLG select committee inquiry into the Audit and Inspection of Local Authorities.

#### 1.0 Background

- 1.1 On 13th August 2010, the Communities and Local Government Secretary Eric Pickles announced plans to disband the Audit Commission and refocus audit on helping local people hold councils and local public bodies to account for local spending decisions.
- 1.2 In response to this announcement an inquiry has been launched to carefully examine the full implications for the accountability of local government likely to follow from this decision. Launching the inquiry into the audit and inspection of local authorities, Communities and Local Government Committee Chair, Clive Betts MP, said:

*"I expect the Committee will want to satisfy itself that the arrangements which will be put in place for auditing local government expenditure are effective, efficient and avoid any potential for conflicts of interest. We will also be looking closely to ensure that the useful work which the Commission does through 'value-for-money' studies can be continued, for the good of local government as a whole.*

*We want to hear from all key stakeholders within and outside local government itself, for insights about the consequence of this decision and about the steps which will be necessary to ensure full and appropriate accountability for local authority expenditure in the future."*

- 1.3 For this inquiry the committee will consider future arrangements in all the areas that previously fell within the responsibility of the Audit Commission, including:
- Audit of local authority expenditure

- Oversight and inspection of local authority performance
- Value for money studies

1.4 Evidence is sought relating to both the principles involved and the practical arrangements which should be put in place.

## **2.0 Warwickshire County Council's submission of evidence.**

2.1 Our draft response has been attached as Appendix A and for ease of reference the submission has been structured by the three areas of consideration.

2.2 In summary, Warwickshire County Council is satisfied that the oversight and inspection of local authority performance and value for money studies could be led by the sector itself and strong proposals have already been developed by the Local Government Group. We are however concerned about some of the loss in functions relating to the audit of local authority expenditure, specifically the potential procurement risks to local authorities.

2.3 Specifically Warwickshire County Council recommends that the Communities and Local Government Select Committee:

- Consider the establishment of a mutual or equivalent body to take on the role of the former District Audit Service.
- Supports local authorities to establish regional or sub-regional contracts with auditing firms.
- Supports the principles outlined in the Local Government Group Consultation on Sector Self-regulation and Improvement as the basis for a new approach to oversight and inspection of local authority performance.

## **3.0 Recommendation**

- The Leader is recommended to approve the draft Warwickshire County Council submission to the CLG select committee inquiry into the Audit and Inspection of Local Authorities.

MONICA FOGARTY  
Assistant Chief Executive

DAVE CLARKE  
Strategic Director of  
Resources

Shire Hall  
Warwick December 2010

## Communities and Local Government Committee – Audit and Inspection of Local Authorities

### Warwickshire County Council Submission of Evidence

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#### Summary of response

For ease of reference our response has been structured by the three areas of consideration. In summary, Warwickshire County Council is satisfied that the oversight and inspection of local authority performance and value for money studies could be led by the sector itself and strong proposals have already been developed by the Local Government Group. We are however concerned about some of the loss in functions relating to the audit of local authority expenditure, specifically the potential procurement risks to local authorities.

#### **Warwickshire County Council recommends that the committee:**

- Consider the establishment of a mutual or equivalent body to take on the role of the former District Audit Service.
- Supports local authorities to establish regional or sub-regional contracts with auditing firms.
- Supports the principles outlined in the Local Government Group Consultation on Sector Self-regulation and Improvement as the basis for a new approach to oversight and inspection of local authority performance.

#### **1. Audit of Local Authority Expenditure**

- **Procurement Risks** - The decision to abolish the Audit Commission introduces some real procurement risks for local authorities. There are a limited number of private firms with the capacity and capability to audit local authorities effectively, namely those who act as approved auditors under the Commission's auspices currently. This means that competition for work will be limited, with the consequential danger that prices will rise from current levels and be difficult to contain in future years. There have been suggestions that staff at the Audit Commission are looking to establish a new organisation, a mutual, to take on the role of the former District Audit Service. This will be welcomed and if successful could introduce a further significant player into the market. Whatever the outcome, the challenge for local authorities will be to ensure that prices remain competitive in the face of limited competition.
- The Audit Commission has managed the transfer of auditors to ensure a low cost change of auditors, minimise disruption to all parties and maximise the transfer of the outgoing auditor's knowledge of the audited body. To ensure

that any procurement process exerts real pressure on prices, a similar requirement for managed transfers of auditors at the end of contracts needs to remain as a feature of the new system of audit. For example, by placing information sharing obligations on departing auditors.

- **Audit Work** - It would be feasible to collaborate at County Council level but it would be more beneficial to look at collaboration across the whole of the government sector, with perhaps regional or sub-regional contracts. Such a structure, by providing a body of work to firms in particular geographic areas, would enable firms to deploy their resources efficiently and effectively. The approach to contracting ought to seek to ensure that changes in auditors can be managed effectively (through transfer of documentation, etc.) to ensure that no authority or area is locked into one firm.

## **2. Oversight and Inspection of Local Authority Performance**

- We believe that the principles outlined in the Local Government Group Consultation on Sector Self-regulation and Improvement should be the starting point for a new approach to performance and improvement for local authorities. The LG Group's proposals for sector-owned assessment are based on the principles of self-regulation, transparency and local accountability. According to the consultation, the approach aims to put *"assessment and improvement in the hands of councils, individually and collectively."*
- We would welcome the move to a sector owned and sector led performance framework for local government driven by the Local Government family. We support the idea of collective responsibility of the sector, and believe that this needs to be based on an equal relationship rather than a traditional regulator/regulated relationship. We believe greater emphasis needs to be placed on the behaviours required to achieve this, which is one of mutual respect, trust and the sharing of good practice ideas.
- We believe that the best way to generate a new culture of trust and openness is to move from the assumption that all local authorities need to be regularly inspected by external assessors to a position where inspection is risk-based and therefore initiated by exception. We would favour the move away from an overall judgement of how well an authority is performing to a focus on recommendations for improvement. We believe this may encourage openness as organisations will not become focused on achieving a certain rating.
- We agree that local performance and financial information should be made available to the public in a format that is easy to access and understand. We are already committed to providing this information to Warwickshire residents, and believe that the methods for doing this should be at the discretion of the local authority.

- Overall, we welcome the development of some key indicators that would enable benchmarking across the sector but believe that to ensure that benchmarking and Value for Money comparison is meaningful, performance data will need to be timely and consistent.
- Without comparative information we will not be able to assure local people they are receiving value for money or the best service they could for the money available. This analysis will enable citizens to understand the relative strength of their council in relation to other areas, and improve accountability. Warwickshire County Council will be responding formally to the DCLG consultation on the proposed single data list in the New Year.
- We would welcome the flexibility to plan, deliver and report on improvements that are vital to deliver the vision for the authority, the service improvements customers require and the system improvements that are vital to the efficiency and effectiveness of our authority. We believe that a focus on local priorities for improvement would strengthen local accountability. We would welcome further emphasis on the views of local citizens in the production of self-assessments and as contributors to peer reviews.
- We agree with the value of an annual self-assessment but are keen to ensure that these remain focused and based on the local performance management framework rather than a nationally imposed model. (This links to the answer given to question 2.) We would welcome assessment based on outcomes rather processes to ensure we remain focused on the difference we have made.
- We believe that it remains appropriate to have inspection regimes for adult and child safeguarding but believe assessments need to be proportionate and tailored to the needs of the individual organisation. We would welcome a focus on promoting improvement, disseminating best practice and an increased emphasis on ongoing support for poorer performing authorities. If assessment focuses wholly on safeguarding, it will be important that this is undertaken within the context of broader service based considerations of social care provision.
- Prior to the introduction of the Commission's inspection regimes, many authorities had in place improvement schemes of one sort or another, some involving forms of peer review, others wholly internally driven. Many of these fell into abeyance because of the demands of the Commission's inspection processes. The existing Use of Resources scheme borrowed heavily from the CIPFA Financial Management model, so a ready framework to replace this element would exist.

### **3. Value for Money Studies**

- In the past the Audit Commission has had a duty to undertake studies to identify improvements that could be made to the economy, efficiency and effectiveness of certain bodies, and to improve the financial and other management of local public services.
- We believe that in some circumstance it would be in local government's interest to have common work undertaken and that much of this is likely to be for specific services or areas of special interest across the sector. Collaboration across the whole of local government may be unachievable so it could be more appropriate for individual sectors to consider their own needs and to approach other sectors where there are specific proposals for collaboration.
- There are organisations that may have a significant role in taking this forward. CIPFA and the Local Government Group have considerable expertise in the audit of local authority expenditure, audit and inspection of local authorities and value for money studies as well as wider regulatory environments, promoting self-improvement, and undertaking leading-edge thinking. In relation to Value for Money studies, there are a number of organisations, particularly think-tanks and universities who might have an interest in taking this work forward.
- The CIPFA/LGA Value for Money tool is a strong alternative to the Value for Money Profiles previously provided by the Audit Commission and we would advocate their continued use. The tool has been developed by the sector and made available to all local authorities to use free of charge.
- The continued use of Value for Money tools will be dependent on the sector collecting and returning consistent performance and finance measures. We will press the Government to ensure that the information that local authorities are required to collect facilitates Value for Money analysis and benchmarking.