

**Audit Commission**

**Presentation**



# **Local Area Agreements**

**– an Audit Commission perspective**

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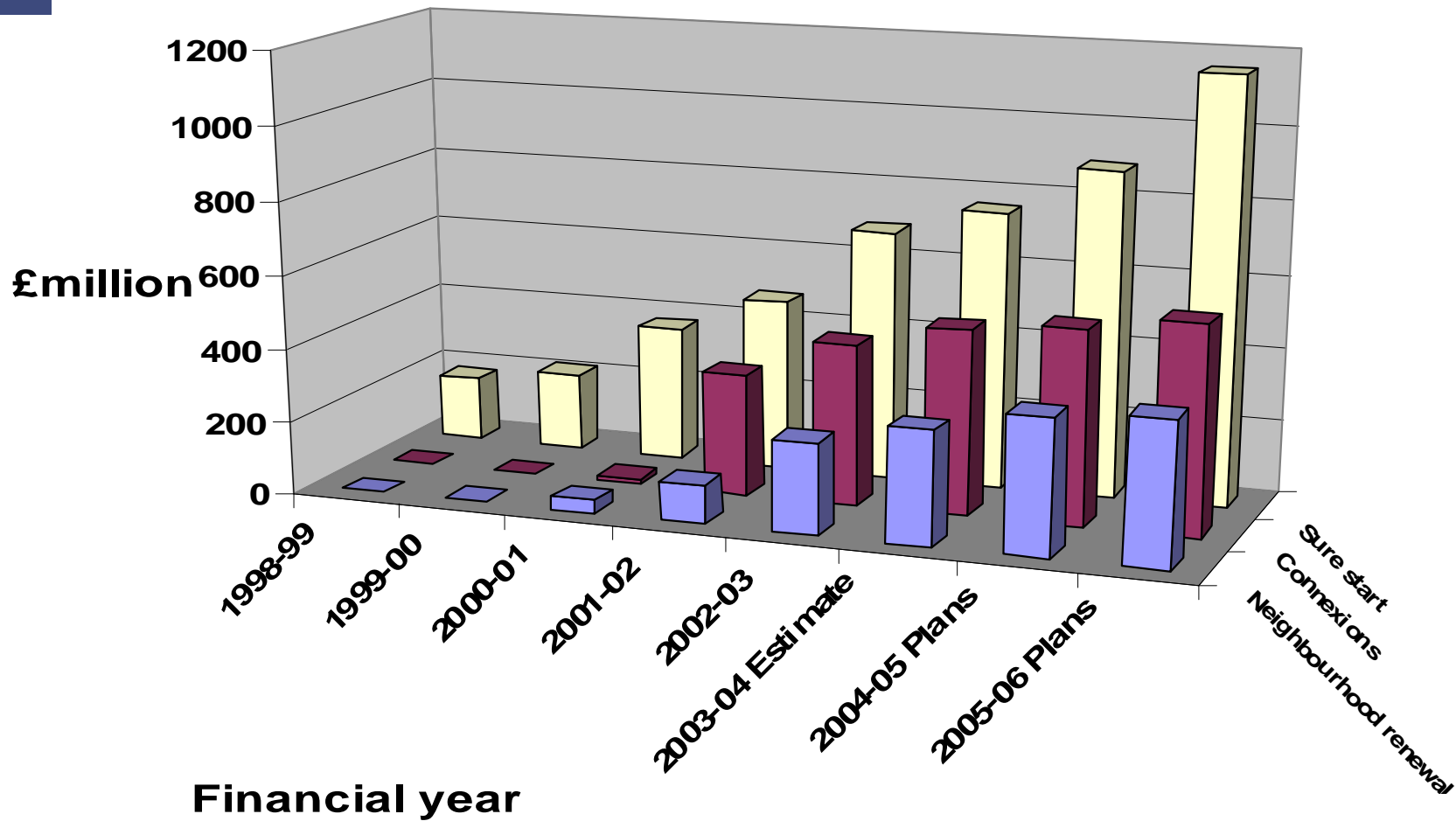
# Content

- Impact of LAAs for the Audit Commission
- Governance in partnerships
- Implications of LAAs for Code of Audit Practice work
- Strengths and areas for development so far
- LAAs post 2008

# LAAs - Impact for AC

- Relevance to inspection / audit / regulation
  - core interests e.g. Governing Partnerships
  - corporate assessment/direction of travel
  - audit under Code of Audit Practice
- Links with Government Offices
- LAAs post 2008

# Partnerships are growing in importance



## Public bodies should ask

- What is the rationale for the partnership?
- How does the partnership add value?
- Who is in charge of the partnership?
- How is performance measured?
- How is money managed?
- How are risks managed?
- How can the partnership end?
- How is the partnership accountable to the public?

# Control environment

- Is there a risk register of key partnerships?
  - Business continuity
  - Risk ownership
  - Assurance that risks are being managed
- Is benefit realisation actually reviewed – success/continuation of partnership?
- Is there agreement for independent audit/open book reviews in key partnerships?

# Key role of the accountable body

- Account for funding/expenditure effectively
- Engage local delivery partners fully
- Ensure that LAA outputs and outcomes
  - address existing strategies and delivery plans
  - reflect cross cutting issues - crime and disorder/health/children's services

## AC role defined – DCLG guidance

“... The blocks of the LAA are shared priorities and are embedded in the corporate assessment of the CPA ...

.....LAAs will be considered as a key factor in shaping the long term approach to post CPA local government assessment ...

... additional inspection activity will **not** be carried out..... However, **there may be some implications for the work that appointed auditors carry out .....set out in the code of audit practice ...**

**There are a number of aspects of the way in which an LAA is set up or operates that auditors may wish to consider when carrying out this work, ...”**

# The auditor's responsibilities ...

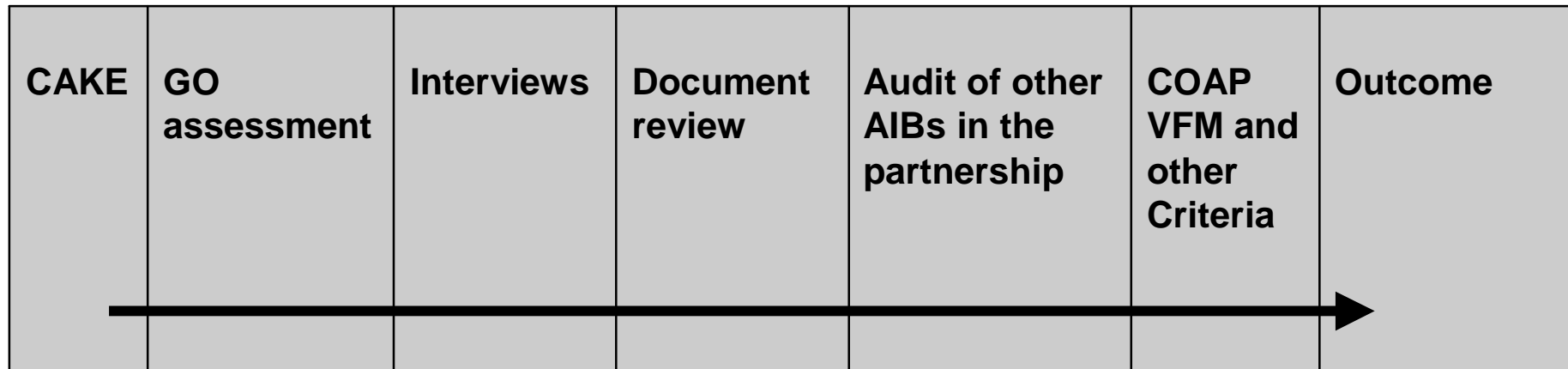
**Auditors.....satisfy themselves that the audited body has put in place **proper arrangements** to secure **economy, efficiency and effectiveness in its use of resources**..... review and examine corporate **performance management and financial management** arrangements and **report** on these arrangements.**

**Audit Commission - Code of Audit Practice 2005 (Para 21)**

# AC audit approach

- Avoids duplicating GO activity
- Supports the **identification of risks** based on the Code of Audit Practice
- Addresses core areas for AC:
  - **Governance**
  - **Financial management**
  - **Performance management**

# AC risk based assessment ...



Indicates whether auditors need to do any extra work based on any risks identified ...

## Governance – 6 key issues

- Are LAA outcomes and targets clearly defined and consistent with other local strategies?
- Is the leadership of the LAA clear and effective?
- Has the partnership got clear decision making processes?
- Has the partnership agreed and implemented an effective approach to risk management?
- Are there strong controls to ensure accountability and scrutiny within the partnership?
- Are local people, voluntary and community organisations involved?

# Governance – risk management

- Risk - ‘The partnership does not have an agreed strategy for managing risks’
- Mitigation - The partnership has a clear risk management strategy
- Linked to VFM 6: The body has put in place arrangements to manage its significant business risks

## Financial management – 4 key issues

- Are there capacity and arrangements to participate effectively and develop a financially sound agreement NB accountable body?
- Are there effective internal and external budgeting and reporting arrangements NB pooled budgets?
- Are there adequate arrangements to demonstrate compliance with LAA terms and conditions, statutory and other requirements?
- Are there clear arrangements for monitoring and controlling management costs, and ensuring any efficiency savings are used to further LAA objectives?

# Complex Funding Arrangements :

## Crime and disorder reduction

### Safer and Stronger Communities Fund:

- ASB Grant
- Building Safer Communities
- Domestic Violence Grant
- Drug Strategy Partnership Grant
- Tackling Violent Crime Programme

### Other:

- NRF
- Drug Prevention and Treatment
- Drug Intervention programme
- Street Scene Tenant Empowerment Grant

## Financial management – capacity and arrangements: risks?

- What have partners done to
  - address different planning cycles and/or financial years
  - agree satisfactory arrangements for translating the LAA into annual spending plans
  - understand one another's financial pressures?
- Do partners have the required professional finance capacity to support development and working outside established financial systems and procedures?
- VFM 9 & 10; UOR 1.2 and ALE 1.2

## Financial management – accountable body: risks?

- Does the accountable body:
  - ensure terms of usage mirror the grant determination
  - prepare 6 monthly statement of grant usage
  - provide Chief IA opinion to LA CEX for report to GO
  - have the necessary internal capacity and expertise?

## Performance Management - 4 key issues

- Are partners committed at the highest level to effective joint performance management?
- Do partners use past and current performance to plan future action?
- Is the local performance management framework effective?
- Do partners regularly review the performance management framework and its effectiveness?
- VFM 3; ALE 5.3

# Performance management – risks?

- Do partners
  - agree who takes responsibility for ensuring that measurable targets are set?
  - frame targets against realistic trajectories?
  - identify dips in performance and prompt necessary action?
  - develop separate and joint IT systems to produce and share performance information?

# Emerging practice

<b>Strengths</b>	<b>Areas for development</b>
<ul style="list-style-type: none"><li>•Clear leadership</li><li>•Commitment to partnership</li><li>•LAA acting as catalyst for review of structures</li><li>•Agreed protocols</li><li>•Dedicated financial advisers support partnerships</li><li>•Joint audit</li><li>•Commitment to share information</li><li>•Strong performance mgt cultures</li></ul>	<ul style="list-style-type: none"><li>•Partnership risk management</li><li>•More trust elected members/ community reps</li><li>•Clearer role LSP/ theme Boards</li><li>•Agreed protocols</li><li>•Aligned mainstream funding</li><li>•New controls + reporting arrangements to replace grant regime</li><li>•Evidence of LAAs driving better outcomes</li><li>•Optimise internal audit</li></ul>

# Internal audit methodology?

- Ensure there is a sound control framework and policy
- Using risk-based approach decide which risks are material and drill down
- A flavour of areas to cover:
  - partnership alignment to priorities
  - business case with agreed aims, added value
  - robust option appraisal and transparent selection of partner
  - formal written agreement between partners
  - governance arrangements proportionate to risk and cost of control
  - specific roles and responsibilities of partners
  - payment mechanisms linked to performance

## LAAAs post 2008

- Local Strategic Partnerships
- Sustainable Community Strategy
- Duty to prepare a delivery plan for the strategy – the Local Area Agreement.



## LAAAs post 2008

- **LAA only place** where central government agrees targets with LAs and partners
- **Named partners duty** to take targets into account
- **Comprehensive Area Assessment (CAA)**
  - catalyst for more effective improvement of local services for citizens, especially those in need
  - area based and outcome focused
  - relevant to local people
  - constructive and forward looking
  - jointly developed and implemented

# New Performance Framework

National Indicator Set



18 statutory education & early years targets



35 'designated' improvement targets

200 outcome-based indicators



SCS delivery targets

**?? Data Quality ??**

# Indicators

- **Reporting frequency** appropriate to data collected
  - crime quarterly
  - educational attainment annual
- **Spatial element** appropriate to geographical level
  - housing growth sub-national
  - deprived neighbourhoods super output area

## LAAAs post 2008 - funding

- No longer about specific funding for specific targets
- New unringfenced area based 'LAA grant'
- All area based funding goes through this route
- No performance reporting or other conditions

## LAAAs post 2008 - funding

- Various funding sources to deliver LAA
  - Council Tax and mainstream funding
  - Single Capital Pot
  - ringfenced grants
- Local decision on how funding supports delivery of outcomes
- Some funding streams may remain outside LAAAs
  - large scale capital grants
  - outcomes difficult to deliver locally – e.g. resettlement of offenders

# Summary comments

- Still challenges:
  - Rounds 1 & 2 bedding down
  - Round 3 only just in place
- Partnership working improving
- Tighter performance management
- Governance underdeveloped
- LAAs here to stay post 2008
- LA leadership and accountability roles critical
- AC leading local inspectorates in CAA from 2009

**Audit Commission**

**Presentation**



**Over to you.....**