

Use of Resources Auditor Judgements 2007

Torridge District Council

Audit 2007/08

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Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Torridge District Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for Torridge District Council are outlined overleaf. These scores have now been confirmed by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. The Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007. This summary sets out our key findings in relation to each theme and key areas for improvement.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	1
1.2 The Council promotes external accountability.	2	3
Financial management		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	1
Financial standing		
3.1 The Council manages its spending within the available resources.	3	3
Internal control		
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
Value for money		
5.1 The Council currently achieves good value for money.	2	1
5.2 The Council manages and improves value for money.	3	2

Theme summaries

- 6 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score - 2	
Key findings and conclusions	
The financial statements were produced within deadlines and contained no material errors. An unqualified opinion was issued. Summarised financial information based on the accounts has been produced. Access to the financial statements and annual audit and inspection letters is provided on the Council's website.	
Improvement opportunities	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	Continue to improve quality control arrangements to eliminate non-trivial errors in the accounts submitted for audit. Consider ways to make working papers available in electronic format. Build capacity of members, through the existing programme of financial training, to enable robust scrutiny of the accounts.
KLOE 1.2 The Council promotes external accountability.	Involve stakeholders in determining whether the summarised financial information in updates of the Strategic Plan is informative and meets their needs.

Financial management

Table 4

Theme score - 2	
Key findings and conclusions	
<p>The quality and integration of the medium term financial strategy with other policies and strategies has been maintained. The Council's revenue budgets and capital programme are soundly based. Regular budget monitoring takes place and is shared with members. The ability to demonstrate that management of the Council's assets, based on the capture and analysis of accurate and comprehensive data, is required to achieve level 3 in 2008.</p>	
Improvement opportunities	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>The requirements of the KLOE in relation to corporate business planning have been strengthened for 2008 to include the impact of stakeholder views, risk assessment and contingency planning and sensitivity analysis. The corporate processes and robust links to the MTFS will need to be clearly evidenced.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Requirements for flexible financial reporting and the timeliness of reporting are emboldened KLOE criteria for 2008 and will be scored. The Council needs to demonstrate that the level of reporting achieved for the Quarterly Review (June 2007) is embedded and produced consistently. Clear links between the Quarterly Review, service planning and risk assessments in the corporate plan and the MTFS need to be established.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>At level 3 new criteria have been established for 2008. These require evidence that the Council's land and building assets are being developed to meet corporate priorities and service delivery needs. Plans need to demonstrate how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose.</p>

Financial standing

Table 5

Theme score - 3	
Key findings and conclusions	
<p>The Council continues to manage its spending close to target. Budget monitoring information is routinely available to allow scrutiny at member level to take place regularly. The MTFS in its most recent form is being used as a tool to direct and manage at a strategic level.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Development of the MTFS to reflect change in the level of risk from disposal of the housing stock needs to be actively managed. Risk assessments will need to be reviewed and an assessment of the level of balances to be held reflecting the demise of the Housing Revenue Account will be needed.</p> <p>A new criterion at level 3 which assesses the arrangements for income collection has been established for 2008.</p>

Internal control

Table 6

Theme score - 2	
Key findings and conclusions	
Generally the systems of internal control are sound and continue to operate effectively. There is some evidence of residual organisational strain resulting from the Council's change programme. Arrangements to promote and ensure probity and propriety are substantially in place.	
Improvement opportunities	
KLOE 4.1 The Council manages its significant business risks.	An increase in member involvement and a review of effectiveness that measures the impact risk management has on strategic objectives would indicate further integration into the Council's day to day working practices.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Improving the timeliness of internal audit reporting whilst maintaining professional standards should be considered a priority. Arrangements for continuity planning are in hand but need to be finalised.
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	There is a need to develop a corporate counter fraud and corruption strategy and plan that captures risks and indicates the resources needed to address them.

Value for money

Table 7

Theme score - 2	
Key findings and conclusions	
<p>Overall the Council is a low cost authority in comparison with other district councils. In service areas with comparatively high spending performance is variable. In all of these service areas including planning, housing and benefits performance is improving and in most cases significantly. Customer satisfaction is mixed. There has been little change in overall satisfaction with the Council and with planning services perceived to be poor. Satisfaction with waste management and the housing benefit services is improving and along with social housing tenants satisfaction is amongst the best nationally.</p> <p>The monitoring and reviewing of value for money has improved significantly and there is now a robust framework by which service performance and spend is set, controlled and challenged. A thorough programme of review and introduction of lean working principles is producing efficiency saving and improved level of performance.</p>	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	Areas of high spend are in priority areas and some resources are being directed away from non-priorities although this is an area that needs further development. Information of the effect of spending decisions on all sections of the community is considered at service level but needs to be address more consistently and comprehensively at a corporate level.
KLOE 5.2 The Council manages and improves value for money.	Further integration of information technology systems into management procedures is needed. There is a need to reduce the level of spending in some high cost areas. Development of joint working arrangements and the introduction of appropriate value for money measures are needed.

Conclusion

- 7 The Council's performance demonstrates continued improvement. This is most noticeable in relation to value for money criteria where a full year of additional data is available to inform this year's assessment. Improvement is less evident where information has been assessed over a shorter period in relation to the non-value for money themes.
- 8 The change programme that the Council is undertaking continues to improve working practices. Some residual organisational strain resulting from this programme is evident in some arrangements, particularly in relation to some internal control systems. These issues, noted above, need to be addressed in the context of more stringent requirements for 2008.

Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007 (see Table 8). This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities; increasing public expectations of public services; and expected constraints on funding from Government.
- 11 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

Table 8 Changes to the UOR key lines of enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion in the published statements.
1.2	2, 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
Financial management		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning.
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.

KLOE	Level	Summary of change
Financial standing		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance.
4.2		'Statement of internal control' has been replaced with 'governance statement'.
4.2	4	Evidence of the viability of significant contractors'/partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee.
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.

KLOE	Level	Summary of change
Value for money		
5.1	2, 3, 4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2, 3, 4	Understanding unit and transaction, as well as, overall costs.
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.