

Use of Resources

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Use of Resources Auditor Judgements 2006

Sedgefield Borough Council

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Author Catherine Andrew

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

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Introduction

- 1 The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes.
- 2 This is the second year of carrying out the assessment and our work has focused on building on our previous year's work and updating it for any changes and improvements to the Council's arrangements.
- 3 Judgements are made for each theme on the following scale which has been standardised by the Audit Commission across 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

The overall score for Use of Resources assessment was reported to the Council by the Audit Commission on 15 March 2007.

- 4 In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils, 2006 assessment. In particular, in order to support scores of 3 and above, we need to consider whether relevant arrangements are 'embedded' that is, they have been operating consistently with clear outputs and having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the descriptors/criteria, councils can demonstrate innovation or best practice that can be shared with other authorities. The descriptors/criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.
- 5 In relation to future assessments, as outlined in the CPA framework documents for 2006 for district councils, the status of a number of criteria will change to 'must have status'. For information, these criteria have been summarised at Appendix 1. In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take these criteria into consideration.
- 6 The five theme scores for Sedgefield Borough Council are outlined overleaf. 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 2006	Score 2005
Financial reporting	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	4	4
Financial management	3	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
Financial standing	4	4
3.1 The Council manages its spending within the available resources.	4	4
Internal control	3	3
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
Value for money	3	2
5.1 The Council currently achieves good value for money.	3	2
5.2 The Council manages and improves value for money.	3	3

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in Table 3.

Table 3 Summary of findings and conclusions by theme

Financial reporting	
Theme score 3	
Key findings and conclusions	
<p>Accounts were produced well within deadlines, they presented the Council's financial position fairly and only contained a small number of trivial errors. The accounts were subject to robust member scrutiny and we issued an unqualified opinion.</p> <p>The Council produced summary accounts and an annual report in a format that had been subject to consultation with a range of stakeholders.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Ensure the cash flow statement is reviewed for accuracy and supported by exemplary working papers.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>None</p>

Financial management

Theme score 3

Key findings and conclusions

The Council has taken effective action over the past two years to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. Performance is actively managed against budgets and the Council manages its asset base.

Improvement opportunities

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.

None

KLOE 2.2 The Council manages performance against budgets.

Ensure that savings and efficiency gains are separately profiled throughout the year and monitored by members to ensure their achievement

KLOE 2.3 The Council manages its asset base.

Continue to develop performance measures and benchmarking to describe and evaluate how the Council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities

Develop an approach for the co-ordination of asset management information and its integration with relevant organisational financial information

<h2>Financial standing</h2> <p>Theme score 4</p>	
<p>Key findings and conclusions</p> <p>Financial standing is good, there is a comprehensive medium term financial plan linked to the corporate plan and to the annual budget. Target levels of reserves and balances are set and monitored by Members. Income collection targets are set and monitored by Members. The Council monitors the opportunity costs of maintaining its levels of reserves and balances and compared these to the benefits it accrues.</p>	
<p>Improvement opportunities</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>None</p>

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Internal control

Theme score 3

Key findings and conclusions

Risk management arrangements have been enhanced and are now embedded. The Council has included risk management in its corporate planning process and training has been undertaken for all Members but this has not been carried out at regular intervals and is not embedded. Positive risks are not currently considered and this is to be considered for 2006-07.

The Council has a history of strong internal control and established an Audit Committee in June 2006.

Anti fraud and corruption arrangements are well established and the monitoring officer is proactive in his role. Work is currently being carried out to further strengthen the counter fraud culture. Proven cases of fraud and corruption are not publicised to all staff.

Improvement opportunities

KLOE 4.1 The Council manages its significant business risks.

Further refine risk management arrangements to demonstrate that risk management is embedded in corporate business processes
Ensure that risk management training is provided to appropriate Members on an ongoing basis
Consider positive risks (opportunities) as well as negative risks (threats)

KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.

Continue to embed and develop the role of the Audit Committee

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.

Continue to develop the counter fraud culture
Ensure all proven cases of fraud and corruption are publicised to all staff

Value for money

Theme score 3

Key findings and conclusions

Overall spending in Sedgefield is relatively high in relation to nearest neighbour comparators. However, spending on key services is not significantly higher than other similar authorities after taking into account the geography, deprivation and population factors. The Council places a high priority on economic and community development. This is reflected in comparatively high spend and a considerable amount of partnership working to maximise investment. Corporate and democratic overheads are comparatively high. This is mainly due to the Council placing importance on good and effective support for Members. The Council has two scrutiny support officers who assist members in their research. Scrutiny has a track record of identifying areas of poor performance or high cost and effectively formulating plans for improvement. A recent example is sickness absence.

Relatively high spending is generally matched with improvements in performance for key services and higher level of activity and satisfaction. The Council also has a number projects that are externally funded for example NRF and Surestart. This will contribute to a relatively higher spend than some district councils who do not have this funding. Areas of higher spend are in line with the Council's priorities and there is a general trend of improvement in these areas. The Council has invested in adult social care and transport which are not statutory functions but are a high priority. There is a clear understanding that employees are required to identify efficiencies where at all possible. For example the Council has introduced home working in benefits with specific targets of improved performance. Improved performance has been achieved with no additional costs incurred.

The Council levers in external funding to match capital spend, for example the Shildon museum. This has also had an impact on increased spend in the locality of £400,000. The council has a programme of capital spend for regeneration in areas identified by area forums. These range from community centres to conservation areas.

Improvement opportunities

KLOE 5.1 The Council currently achieves good value for money.

Continue to analyse information on spending and performance and how this compares to others and demonstrate this is used to design further service improvements

KLOE 5.2 The Council manages and improves value for money.

Continue to improve the approach to improving value for money through performance management, service review and revision, procurement and

Value for money

Theme score 3

joint partnering to identify efficiencies that result in improved customer focus, service improvement and savings

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Appendix 1 – Criteria which will gain 'must have' status for the next assessment

New criteria in bold type ('must have') for 2006/07 assessment

- 1 This table summarises criteria that are currently included in the KLOE but are not in bold type and do not have 'must have' status, but which will have such status for the 2006/07 assessment.

KLOE	Summary of criteria
Financial reporting	
1.1	Requests for information from audit are dealt with promptly.
1.2	Summary financial information that meet the needs of a range of stakeholders is published and their views are considered in deciding whether to publish an annual report.
Financial management	
2.1	There are arrangements for monitoring cash flow.
2.1	The medium-term financial strategy is communicated to staff and stakeholders.
2.2	Profiled financial monitoring reports are produced within ten days of the month-end.
2.2	The financial performance of significant partnerships is reviewed.
2.2	There is a training programme in place for members and staff on financial issues.
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed.

KLOE	Summary of criteria
Financial standing	
3.1	Collection and recovery of material categories of income is monitored.
Internal control	
4.1	Appropriate staff are trained in risk management.
4.2	Criterion in relation to effective arrangements for internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.
4.2	Arrangements for carrying out the functions of an audit committee are effective.
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate.
4.2	Criterion at level two in relation to business continuity plans as required by the Civil Contingencies Act (2004).
4.2	Governance arrangements are in place for significant partnerships.
4.3	The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced.

