

Use of Resources Feedback 2006

District of Easington

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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 will be 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 16 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 District of Easington 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.	2	2
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	3	3
4.1 The Council manages its significant business risks.	3	2
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	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	3	2

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

<h3>Financial reporting</h3> <p>Theme score 3</p>	
<p>Key findings and conclusions</p>	
<p><i>Accounts were produced well within deadlines. They presented the Council's financial position fairly and, apart from a material adjustment arising from a restatement of the ALMO accounts, only contained a small number of non-trivial errors. The accounts were subject to member scrutiny and we issued an unqualified opinion. For the first time the Council also produced summary accounts.</i></p>	
<p>Improvement opportunities</p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Consider whether the Council's assurance framework regarding the material accuracy of financial information referred from the ALMO is adequate and strengthen arrangements where possible. Ensure all statements are supported by exemplary working papers.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Introduce arrangements to identify and demonstrate that the Council is considering the views of a range of stakeholders in making its decision whether to publish an annual report. Subject to stakeholder views, publish an annual report or similar document which includes summary accounts and an explanation of key financial information and technical terms designed to be understandable by members of the public.</p>

Financial reporting

Theme score 3

Ensure that this annual report is available in a wide variety of formats to meet local user needs (e.g. different languages, large print, speaking version).

<h2>Financial management</h2> <p>Theme score 2</p>	
<p>Key findings and conclusions</p> <p><i>The Council has taken effective action over the past few years to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities.</i></p> <p><i>Performance is actively managed against budgets.</i></p> <p><i>The Council manages most aspects of its asset base, although there is a need to have a plan in place to reduce the level of backlog maintenance which has been approved by members.</i></p>	
<p>Improvement opportunities</p>	
<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>More structured reporting to demonstrate how the Council's financial plans and strategies have contributed to the achievement of its corporate objectives, particularly in the area of assessing the effectiveness of new schemes.</p> <p>Enhance the medium-term financial strategy to describe in financial terms joint plans agreed with partners and other stakeholders.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Review the financial performance of partnerships, linked to outputs, and ensure that the results are shared with partners and acted upon</p> <p>Incorporate an analysis of operational activity indicators that are lead indicators of spend, into the council's budget monitoring processes.</p> <p>Ensure no significant departmental overspends/under-spends have occurred that were not identified as a risk which was taken into account in developing the council's reserves strategy.</p>

<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Put a plan in place to reduce the level of backlog maintenance which has been approved by members.</p> <p>Develop a set of local performance measures in relation to assets that link asset use to corporate objectives.</p>
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<h2>Financial standing</h2> <p>Theme score 3</p>	
<p>Key findings and conclusions</p> <p><i>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 also has treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.</i></p>	
<p>Improvement opportunities</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Continue to provide Members with a full range of key financial health indicators and set challenging targets, e.g. debtor collection rates and age profile of debt.</p> <p>Ensure the reporting of financial information and indicators to members is coordinated in order to make the information most effective.</p>

Internal control

Theme score 3

Key findings and conclusions

Risk management arrangements have been evolving and have been strengthened in a number of areas. The Council has a risk management strategy which is underpinned by effective processes and systems that are subject to periodic review and update. Member responsibility for corporate risk management has been identified and staff and Members provided with appropriate training.

Systems of internal control are generally sound. The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances. This framework provides members with information to support the SIC. There are action plans in place to address any significant internal control issues reported in the SIC.

The Council actively promotes probity and propriety in the conduct of its business.

Improvement opportunities

KLOE 4.1 The Council manages its significant business risks.

Fully embed arrangements whereby risks are considered in relation to significant partnerships and provide for assurances to be obtained about the management of those risks.
Ensure all members receive risk management awareness training.

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.
Continue to develop partnership arrangements, for example through specific reference to partnerships within constitutional documents and subjecting partnership governance to regular review and update.

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.

Ensure that the risk of fraud and corruption is specifically considered in the council's overall risk management strategy and process.

<h2>Value for money</h2> <p>Theme score 2</p>	
<p>Key findings and conclusions</p> <p><i>Overall costs and unit costs for key services are not significantly higher than other councils providing similar levels and standards of services, allowing for the local context. Significant improvements have been made in some services but there are still pockets of poor performance and low customer satisfaction rates. Concerns remain about the value for money achieved on the provision of housing services following Housing Inspections of the ALMO. Investment has been targeted to some areas of poorer performance and changes to service delivery models (for example waste collection and street cleaning) are yielding significant savings and service improvements.</i></p> <p><i>Processes are in place for information on costs and performance to be collected and reviewed. Information is regularly reported to officers/members and challenged. Consequently the Council is very self-aware of the areas which it needs to address and these are well-documented in its improvement plan and its service plans, and there is evidence of improved outcomes as a result of this process. Clear links are in place between financial and service planning, corporate and community planning with a joint focus on securing improvement.</i></p> <p><i>The council has exceeded their Gershon efficiency target of £1.2 m over 3 years by identifying efficiencies of £2.34m at March 2006 of which £1.6m were cashable.</i></p>	
<p>Improvement opportunities</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Continue to analyse information on costs and performance and how this compares to others and demonstrate this is used to design further service improvements.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Work with the ALMO to address those issues identified as delivering poor value for money in the delivery of housing services.</p> <p>Identify the barriers within the organisation which are constraining more rapid improvements in services and value for money.</p>

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 meets 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.

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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.