

Use of Resources

Teesdale 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 Teesdale 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 Teesdale District Council are outlined overleaf. These scores have been subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting theme scores.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

Use of resources judgements

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	2
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.	1	1
Financial standing		
3.1 The Council manages its spending within the available resources.	2	2
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.	2	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	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

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

Financial reporting

Table 2

Theme score 2	
Key findings and conclusions	
There are good examples of working papers to support the entries in statement of accounts but there is a need to have a consistent standard across all supporting documents. Project management to ensure that accounts are produced in a timely manner continued to improve. Officers were responsive to our queries during the audit. A summary of the accounts was placed in the local newspaper along with a request for feedback but there was a poor response.	
Improvement opportunities	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	Ensure that the standard of working papers is improved and is consistently applied to supporting papers by all departments.
KLOE 1.2 The Council promotes external accountability.	Consider other methods to engage stakeholders on the type of financial information that the Council could usefully publish.

Financial management

Table 3

Theme score 2	
Key findings and conclusions	
<p>The Council has improved medium term financial planning in the past year, and the medium term financial strategy was further developed during 2006/07. Links with the corporate plan priorities to ensure that financial strategies are better aligned. Capital programme priorities need to be better aligned.</p> <p>Whilst the Council has introduced new processes in 2006/07 with the aim of reviewing existing budgets, considering new requirements and identifying savings this is still being embedded. For effective monitoring budget holders should make monthly returns on both income and expenditure within their control stating the position to date, expected position at the year end, and giving detailed reasons for any variances of actual to budget. The Council proposes to review the frequency of returns from budget holders on a risk basis.</p> <p>During the period under review the Council concentrated on the disposal of its council houses through LSVT, leaving a small asset base. The Council is in the process of reviewing its approach to asset management but this will not be completed until 2007/08.</p>	
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.	The Council should review the links for revenue and capital with corporate plans to ensure they are aligned.
KLOE 2.2 The Council manages performance against budgets.	The Council needs to ensure that all budget holders undertake regular monitoring and highlight possible variances on a timely basis.
KLOE 2.3 The Council manages its asset base.	Ensure that the review of the approach to asset management is completed and improvements introduced.

Financial standing

Table 4

Theme score 2	
Key findings and conclusions	
Improvements have been made on last year in terms of income collection and recovery of arrears in terms of a new balanced scorecard that has been implemented but large variances still occurred in 2006/07. The formal risk assessment to underpin the reserves and balances policy needs to be fully developed.	
Improvement opportunities	
KLOE 3.1 The Council manages its spending within the available resources.	Ensure that the arrangements for a formal risk assessment underpinning the reserves and balances policy is fully documented.

Internal control

Table 5

Theme score	
Key findings and conclusions	
<p>The Council improved the approach to risk management. The risk strategy and policy are reviewed annually, and training for staff and members is provided. Risk assessments form part of all budget submissions, service plans, project management and committee reports. The Council has identified officer and member champions responsible for embedding risk management within the authority. The Audit Committee has corporate responsibility of risk management. The terms and references of the Council's Audit Committee have been revised to enhance the approach to ensuring a sound system of internal control is in place. The assurance framework established and reported through the Statement of Internal Control provides good evidence that arrangements are in place.</p> <p>The Council has undertaken the 'Ethical Governance Diagnostic' to provide an assessment of ethics and behaviours of officers and members. There is good active participation to the National Fraud Initiative (NFI). Reviews of standards of conduct and governance are still ongoing.</p>	
Improvement opportunities	
KLOE 4.1 The Council manages its significant business risks.	The Council should ensure that the risk management process has identified its significant partners and that the partners have appropriate governance and risk management arrangements in place.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Ensure the Code of Corporate Governance is reviewed and used to underpin the system of internal control.
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.	The Council through the revised Audit Committee has put in place a good framework and needs to demonstrate that the key policies are being effectively communicated to officers and Members.

Value for money

Table 6

Theme score 2	
Key findings and conclusions	
<p>The Council is putting in place improvements including new corporate priorities and improvement programme initiatives. The Council has introduced significant changes to the performance management framework in the last year for a more structured approach with clearer roles. These improvements are at an early stage and the framework is not fully embedded. Revised Council priorities are to be reviewed to confirm that they are consistent with the new Sustainable Community Strategy and internal communications are not yet fully effective. The Council also expects to see benefits in PIs from the consolidation of the approach to performance management.</p> <p>Most Council services provide reasonable value for money given the local context of service delivery to a sparsely populated area. Planning service costs have increased but performance has fallen and the service has been identified for a review. Budget setting is being linked to performance and budget setting and monitoring framework is now in place to allow the use of corporate processes for reviewing and improving value for money.</p> <p>There has been some progress to improve performance management, procurement and asset management arrangements at the corporate level. However, the Council is still at a very early stage of development and improvements have yet to make a positive impact on services</p>	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	<p>Finalise and implement the VFM Review Programme including realistic comparisons of cost and performance to demonstrate value for money not just total spend.</p> <p>Review planning service to resolve significant cost increase for poorer performance.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>Ensure the development of initiatives in performance management, procurement and asset management arrangements secure improvements in value for money.</p>

Conclusion

- 8 The Council's performance demonstrates an improvement across the five themes and is introducing some good initiatives.

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. This should assist you in pin pointing the changes. We also include at Appendix 1 and Appendix 2 summaries of the key 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.

Appendix 1 – UoR key lines of enquiry 2008

Table 7 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.
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.

KLOE	Level	Summary of change
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.
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.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Ensure that the standard of working papers is improved and is consistently applied to supporting papers by all departments.	3	Head of Financial Services	Yes	Part of closure.	Ongoing
	Consider other methods to engage stakeholders on the type of financial information that the Council could usefully publish.	3	Head of Financial Services	Yes	Propose to produce an annual report and summary accounts that will be sent to all households in the district.	Ongoing
	The Council should review the links for revenue and capital with corporate plans to ensure they are aligned.	3	Head of Financial Services	Yes		Ongoing
	The Council needs to ensure that all budget holders undertake regular monitoring and highlight possible variances on a timely basis.	3	Head of Financial Services	Yes	The approach will be tailored on a risk basis and frequency will depend on history of variance from budget.	Ongoing
	Ensure that the review of the approach to asset management is completed and improvements introduced.	3	Head of Financial Services	Yes		Ongoing
	Ensure that the arrangements for a formal risk assessment underpinning the reserves and balances policy is fully documented	3	Head of Financial Services	Yes		Ongoing
	The Council should ensure that the risk management process has identified its significant partners and that the partners have appropriate governance and risk management arrangements in place	3	Audit Manager	Yes	Partnership strategy is under review.	Ongoing
	Ensure the Code of Corporate Governance is reviewed and used to underpin the system of internal control.	3	Head of Democratic Services	Yes		Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	The Council through the revised Audit Committee has put in place a good framework and needs to demonstrate that the key policies are being effectively communicated to officers and Members	3	Head of Democratic Services	Yes	Will be covered by the Annual Governance statement.	Ongoing
	Finalise and implement the VFM Review Programme including realistic comparisons of cost and performance to demonstrate value for money not just total spend; Review planning service to resolve significant cost increase for poorer performance.	3	Head of Financial Services Head of Financial Services	Yes		Ongoing Ongoing
	Ensure the development of initiatives in performance management, procurement and asset management arrangement secure improvements in value for money.	3	Head of Financial Services	Yes		Ongoing