

Performance Summary Report

November 2005



Use of Resources Assessment

Walsall Metropolitan Borough Council

Audit 2004-2005

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Contents

Introduction	4
Background	4
Audit approach	5
Main conclusions	5
Appendix 1 – Use of resources summary assessment	7

Introduction

- 1 Part of our assessment of the performance of the Council is an assessment of use of resources (UoR). This is a relatively new part of the process and replaces the previous Auditor's Scored Judgement. It also includes for the first time an assessment of how effectively the Council delivers value for money (VfM).
- 2 The score forms part of the Audit Commission's assessment of the Council's overall CPA rating.
- 3 The Audit Commission has informed councils that the new UoR assessment would be a harder test than the ASJ assessment.

Background

- 4 The assessment comprises of five main elements as follows.
 - Financial reporting - the preparation, accuracy and publication of annual accounts.
 - Financial management - the preparation of financial plans (MTFS, Decision conferencing), budgeting and budgetary control.
 - Financial standing - the soundness of the basis of the Council's financial position (are MTFS targets met, are there sufficient resources to deliver/ meet the Council's spending decisions).
 - Internal control - the way in which the Council has established governance structures which enable it to meet its obligations effectively to control the use of public funds.
 - Value for money - how the Council's services can be seen to be providing good value for taxpayers and service users.
- 5 The elements are scored on a range of one (poor) to four (good practice).
- 6 Auditors were also asked to identify elements of good practice which could be used by the Audit Commission and other auditors to help other council's progress. At Walsall we identified two such areas as follows:
 - the combined MTFS and Decision conferencing and budget preparation processes which have helped the Council to quickly recover from its previous parlous financial position; and
 - the use of cost sharing between the Council, West Midlands Fire Service and your insurers (Zurich Municipal) for a senior fire officer to carry out fire risk assessment.

Audit approach

- 7 The audit was carried out using a combination of the following:
- self-assessments;
 - review of key documentation;
 - interviews with key staff; and
 - integration of other external audit work carried out earlier in the year

Main conclusions

- 8 The Council was allocated an overall score of three (the maximum being four) which is seen as a creditable result.
- 9 The scores for individual elements are set out in Table 1.

Table 1 Use of resources
Walsall achieved an overall score of 3

Element	Score
Financial reporting	2
Financial management	3
Financial standing	3
Internal control	3
Value for money	2

Source: Use of resources summary scores

- 10 We have discussed the results with officers and outlined the key improvements needed to help the Council move to the next level. These are summarised in Appendix 1.
- 11 Next year's assessment will be broadly similar to this years but within a shorter timescale. It is anticipated that we will give the value for money opinion at the same date as the opinion on the financial statements which, for 2005/06 financial statements, must be by 30 September 2006 to comply with the Accounts and Audit Regulations. We have already had discussions with officers on how we can work together to enable both the Council and ourselves to meet the deadlines.

- 12 The impact of the planned strategic partnership with Fujitsu could be considerable as the arrangements will affect most of the areas we need to consider. It is clear that this issue is already being considered by both officers and your prospective partners and we will seek to work together with them during the course of our audit work.

Appendix 1 – Use of resources summary assessment

Use of resources assessment 2005			
Reporting summary			
Walsall Metropolitan Borough Council			
Theme	Score	Conclusion	Key improvements needed
Financial reporting	2	<p>The Council has in place most of the processes to have achieved level three. There were three areas which resulted in an overall score of two. These were as follows:</p> <ul style="list-style-type: none"> • the level of errors in the accounts, some of which were material but the overall net effect of these was relatively small; • the variable standard of working papers; and • the lack of consultation over and production of an annual report with summary accounts. 	<p>Ensure the accounts are free from material and non-trifling errors when presented for audit. Review the ways in which working papers are prepared before submission to audit. This has already been discussed on 3 November 2005 with a core group of senior officers and we have agreed to work together on this issue.</p> <p>Ensure the consultation process for the summary accounts considers a range of options and involves representatives from all stakeholders.</p>

8 Use of Resources Assessment | Appendix 1 – Use of resources summary assessment

Use of resources assessment 2005			
Reporting summary			
Walsall Metropolitan Borough Council			
Theme	Score	Conclusion	Key improvements needed
Financial management	3	<p>This was a particularly strong area and the Council achieved a score of four in relation to its MTFS processes. The MTFS was submitted to the Audit Commission as an example of best practice.</p> <p>There needs to be further development of performance management measures to demonstrate how the Council's asset base is being used to help achieve corporate and service objectives.</p>	<p>Performance management systems should ensure that there is a clear link between the use of the asset base and the delivery of objectives.</p> <p>Quarterly reporting should be enhanced by the production of fully accrued financial reporting including the production of interim (quarterly) balance sheets. This would also help address the year-end pressures as deadlines for publishing accounts are brought forward and would also aid in the improvement of final accounts working papers, the need for which is highlighted above.</p>

Use of resources assessment 2005			
Reporting summary			
Walsall Metropolitan Borough Council			
Theme	Score	Conclusion	Key improvements needed
Financial standing	3	<p>The financial position of the Council is strong with a positive outturn for 2004/05 in line with the MTFS.</p> <p>There is limited need for further improvement. The main areas are around the following:</p> <ul style="list-style-type: none"> the management of capital programme slippage so that the planned programme is delivered to meet service objectives; and improved management of cashflow relating to some grant funded projects(mainly Sure Start). 	<p>Review the way in which capital projects are managed to ensure effective delivery. This has been identified as a corporate risk (No 18).</p> <p>Review the control of grant funded projects to ensure that the Council is aware of significant problem areas. This has already been raised in relation to Sure Start and needs to be considered in relation to schemes which will come under the PTCF partnership agreement (eg benefit subsidy, NNDR return).</p>

10 Use of Resources Assessment | Appendix 1 – Use of resources summary assessment

Use of resources assessment 2005			
Reporting summary			
Walsall Metropolitan Borough Council			
Theme	Score	Conclusion	Key improvements needed
Internal control	3	<p>The Council achieved level three in all the elements of this part of the assessment.</p> <p>To move to the next level the Council needs to:</p> <ul style="list-style-type: none"> • identify a member champion to lead on risk management; • ensure that at least one member of the audit committee has sufficient technical skills relevant to the role of the committee; • enhance its counter fraud culture; and • ensure clarity in all its partnership arrangements. 	<p>Appoint a leading member to be the lead on risk management.</p> <p>Seek (again) a lay member with the appropriate skills to enhance the work of the Audit Committee.</p> <p>Continue to enhance the Council's counter fraud culture by ensuring that there is greater understanding of, and compliance with CPRs and FPRs across the whole Council.</p> <p>Review the effectiveness of the Council's whistleblowing processes.</p> <p>Review partnership agreements, ensure they are kept up-to-date and ensure officers are aware of the accountability and governance issues.</p>

Use of resources assessment 2005			
Reporting summary			
Walsall Metropolitan Borough Council			
Theme	Score	Conclusion	Key improvements needed
Value for money	2	<p>WMBC has begun to address vfm as a strategic issue.</p> <p>Currently the approach is service specific, sometimes using BVR methodology, and as a response to efficiency savings requirement.</p> <p>The Council was able to describe some outcomes that demonstrate VfM.</p> <p>The performance management framework is beginning to incorporate VfM as a corporate consideration. Indicators are being developed.</p> <p>VfM exists within the whole work of the Council but this is not yet clear to citizens and the Council should consider how they frame the message that local people are receiving VfM from the work the Council does and the local taxes they pay.</p> <p>We put forward as an example of best practice the tripartite arrangement between the Council, West Midlands Fire Service and Zurich Municipal.</p>	<p>Successful models for VfM (LAC review, Path to excellence) need to be captured and championed further.</p> <p>The community-wide satisfaction rating is improving and could be enhanced by increasing the level of community understanding of what the Council does and how it provides value for money.</p> <p>Further develop the use of project management and ensure that it is effectively applied to capital projects next year.</p> <p>Whole life cost implications should be applied to all major decisions.</p> <p>There needs to be further development of procurement into a corporate tool. This should include ensuring compliance which will be key to effective acquisition of resources.</p> <p>The impact of the strategic partnership must be assessed to ensure that it plays its part in the delivery of VfM.</p>