

# **Use of Resources Auditor Judgements**

**Walsall Metropolitan Borough Council**

**Audit 2007/08**

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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

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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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 Walsall 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.

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**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 the Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. 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. This is scheduled for 10 December 2007.

- 6** 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
<b>Financial reporting</b>		
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.	3	3
<b>Financial management</b>		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>		
3.1 The Council manages its spending within the available resources.	4	4
<b>Internal control</b>		
4.1 The Council manages its significant business risks.	4	4
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
<b>Value for money</b>		
5.1 The Council currently achieves good value for money.	3	3
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 the following tables.

### Financial reporting

**Table 3**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The accounts were produced within deadlines and were subject to a degree of member scrutiny and an unqualified opinion was given by the deadline required by the Accounts and Audit regulations. The Council is continuing to perform well on financial reporting but there is still room for improvement. Specific improvements identified this year were an improvement in the quality of the working papers and specific technical training provided to audit committee to allow increased scrutiny of the accounts.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>There were a number of significant errors in the accounts which were reported to TCWG. To improve the score the Council should seek to eradicate these errors. Increased time made available for scrutiny of the accounts by senior manager as part of the closedown process would assist in this.</p> <p>All working papers should be made available to auditors at the start of the final accounts process.</p> <p>A separate report has been produced on the financial statements which has been presented to audit committee. This report contains a number of recommendations which if implemented will assist improvements in this area.</p>

<b>Improvement opportunities</b>	
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>While the Council has been identified as showing good practice, continued improvements can be made.</p> <p>The Council should seek to continue and expand their consultation process to evidence that the annual report produced is meeting the needs of the public in terms of format, style and content. The Council needs to ensure that the document reflects these needs each year to demonstrate that stakeholder views have been taken into account. The Annual Report should also be made part of the final accounts process itself to ensure prompt reporting of the document.</p>



## Financial management

**Table 4**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council's MTFs and related documents and processes such as the budget and CIPPF continue to provide a sound comprehensive base for service planning and management. Reviewed and continually updated, the MTFs has incorporated its key messages into future years budget plans and corporate budget book for distribution to all staff and members. Financial reporting at corporate level is sound and has been developed in more detail at directorate level. Performance is managed against budgets at directorate performance boards will all budget holders signing accountability memos. While improvements have been made in asset management, more time is required to fully embed the processes.</p>	
<b>Improvement opportunities</b>	
<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 Council needs to embed the process whereby the annual report is used as the vehicle by the Council demonstrates how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Executive will need to be provided with accrued budget reports on a quarterly basis. At present these are only available at the year end. It is also best practice to produce quarterly balance sheets.</p> <p>Similarly, best practice also suggests that the executive review its effectiveness and leadership with regard to financial management. This process should then be embedded within existing arrangements.</p>

<b>Improvement opportunities</b>	
KLOE 2.3 The Council manages its asset base.	As reported last year, the Council needs to ensure that performance measurement and benchmarking is communicated to stakeholders and that asset management information is fully coordinated with relevant financial management information.

## Financial standing

**Table 5**

<b>Theme score 4</b>	
<b>Key findings and conclusions</b>	
The Council's finances at 31 March 2007 were judged to be healthy and in line with the predicted outturn position as agreed by Members.	
<b>Improvement opportunities</b>	
KLOE 3.1 The Council manages its spending within the available resources.	No specific improvement opportunities to raise. The Council needs to ensure processes developed not just remain but continue to improve in 2007/08 to maintain this score.

## Internal control

**Table 6**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
Risk management within the Council is well developed and is embedded within routine management processes. Systems of internal control remain sound but weaknesses have been identified within the Statement of Internal Control regarding key financial systems. The Council continues to promote probity and propriety in the conduct of its business.	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant business risks.	The Council has been assessed at level 4 for this element of the assessment. The Council will need to continue to embed and further develop risk management arrangements. This includes the development of a Partnership risk register.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	While the Council has developed sound arrangements, there are instances where improvements need to be made. A review of the SIC for 2006/07 has identified that one key financial system has been assessed as poor and reference has also been made to system weaknesses in a number of service areas. Grant claim processing is also an area where problems had been experienced. Improvements need to be made in two specific grant claim areas The above issues need to be addressed to demonstrate improvements in internal control.

<b>Improvement opportunities</b>	
<p>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.</p>	<p>The Council needs to clearly demonstrate that there are proactive and embedded arrangements in place to prevent and detect fraud and corruption. Examples of best practice in this area include the production of a staff annual anti-fraud and corruption survey, dedicated fraud and corruption plans to identify and demonstrate proactive fraud and corruption work, established protocols whereby fraud cases are publicised to raise awareness of individual cases and the issuing of fraud awareness bulletins to staff.</p>

## Value for money

**Table 7**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>Costs are high overall in comparison with other councils. However these are commensurate with service delivery, performance and outcomes achieved, and reflect policy decisions. The strong planning framework guides resource decisions. The council gives importance to managing its image and reputation to increase the public perception of what it is doing. Communicating positive messages about spending decisions and outcomes achieved is good.</p> <p>VFM considerations are built into procurement and efficiency gains have been achieved over the last 3 years with the transformation programme delivering expected savings</p> <p>Performance management arrangements continue to gains strength with better access to data, access and processes for councillors. Leadership and commitment of senior managers to achieving and improving VFM is very strong. Members and managers are successfully challenging service delivery to achieve improved services and deliver savings. Efficiency and VFM targets are firmly embedded in individual and service level targets.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>It will be difficult for the Council to improve the overall score while costs are high in comparison with other Councils. The Council should however continue to track and assess public opinion about VFM. Medium term strategy is in place to bring council tax in line with neighbouring authorities.</p>

<b>Improvement opportunities</b>	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>VFM is becoming strongly embedded in the Council's culture. Performance management continues to improve. Senior members are working to ensure better access to and understanding of data gathering, access and processes for Councillors. The direction of travel for the Council is to continue the improvements and to test the effectiveness of these systems regularly to assess your own success measures for effective training, tools, data gathering, etc. This will be supported by the future rolling out of the scrutiny vfm tool.</p>

## Conclusion

- 8 The Council's performance and scores demonstrate an Authority who is performing well, consistently above minimum requirements. This reflects the fact that the Council is continuing to embed and develop financial and management arrangements to support identified priorities and improve services. The Council is particularly strong in managing its significant business risks and financial standing.

## 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. Your new external auditor will be reporting scores and findings from the 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 – Changes to UoR key lines enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
<b>Financial reporting</b>		
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.
<b>Financial management</b>		
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.

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KLOE	Level	Summary of change
<b>Financial standing</b>		
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.
<b>Internal control</b>		
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.
<b>Value for money</b>		
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.

<b>KLOE</b>	<b>Level</b>	<b>Summary of change</b>
<b>Value for money</b>		
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.