

Use of Resources Auditor Judgements 2006

Walsall Metropolitan Borough Council

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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 were 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 1 December 2006.

- 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 single tier and county 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. Walsall already has many of these requirements in place.
- 6 In addition future assessment will be based on the position at 31 March each year. As a result it will no longer be possible for the council to implement policies and procedures after this date and receive credit for such events.

- 7 The five theme scores for Walsall are outlined below. 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	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	2
1.2 The Council promotes external accountability.	3	2
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.	3	4
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
Financial standing	4	3
3.1 The Council manages its spending within the available resources.	4	3
Internal control	3	3
4.1 The Council manages its significant business risks.	4	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

- 8 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 within deadlines, 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 now performing well on financial reporting but there is still room for further improvement. Specific improvements since 2005 include an improvement in the quality of working papers and allied to this prompt response by officers to auditors' queries.</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><i>Whilst the standard of working papers has improved to improve its score these will need to be exemplary.</i></p> <p><i>There were a number of significant errors in the accounts which were reported to the Audit Committee in September. To improve its score further the council will have to eradicate these.</i></p> <p><i>Members of the Audit Committee should be offered training on the technical accounting aspects of the statements.</i></p>

Improvement opportunities	
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p><i>Officers had produced a draft annual report but this had not been finalised or published at the time of our audit. This needs to be published in a format which takes account of consultation with stakeholders regarding their requirements for the document. The report should be understandable and informative to members of the public and available in a wide variety of formats in order to meet the needs of local users.</i></p>

Financial management

Theme score 3

Key findings and conclusions

The council's MTFS, and related documents and processes such as the budget and CIPPF, has contributed significantly to Walsall's progress over the past few years by providing a sound, comprehensive basis for service planning and management. The MTFS has been recognised by CIPFA in the Midlands as an example of best practice and has been adopted by the Audit Commission as an example for auditors to share with other audited bodies. Financial reporting at corporate level is sound and is being developed in more detail at directorate level for 2006/07. Performance is managed against budgets at directorate performance boards. Whilst improvements have been made in asset management more time is needed to fully embed the processes.

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 final link needed is to clearly demonstrate how the council's financial plans and strategies have contributed to the achievement of financial and non financial corporate objectives. This would have been addressed in the annual report if publication of this had been finalised before we made our assessment.

KLOE 2.2 The Council manages performance against budgets.

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. There is also a requirement to produce quarterly balance sheets.

KLOE 2.3 The Council manages its asset base.

Whilst the council has move forward on the management of its asset base, further action is needed to ensure that performance measurement and benchmarking is communicated to stakeholders and that asset management information is fully co-ordinated with relevant financial management information.

<h2>Financial standing</h2> <p>Theme score 4</p>	
<p>Key findings and conclusions</p> <p><i>The Council's finances at 31 March 2006 were judged to be healthy and in line with the policy agreed by members.</i></p>	
<p>Improvement opportunities</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>As the council has achieved level 4 there is no improvement opportunity.</p>

Internal control

Theme score 3

Key findings and conclusions

The council actively promotes probity and propriety in the conduct of its business. Risk management is well developed and is increasingly embedded in routine management processes. Systems of internal control are relatively sound but failures to ensure full compliance with policies and procedures is a problem which has been highlighted in the Statement of Internal Control.

Improvement opportunities

KLOE 4.1 The Council manages its significant business risks.

The council has achieved a level 4 score for this element of the assessment.

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

Whilst the council has developed sound arrangements there have been a number of instances where proper procedures were not fully applied. These were reported to members in the Statement of Internal Control. Until such issues have been addressed it is not possible to conclude that the procedures are fully embedded.

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 should consider whether or not there is a need for follow up or refresher training.

Value for money

Theme score 3

Key findings and conclusions

Walsall has high spending per head £1,392 in comparison with other metropolitan districts (£1,256) but is the second lowest per head when compared to its geographical neighbours. Factors taken into account in this assessment are:

- Population of 252,800;
- High levels of deprivation;
- Poor health status in parts of the borough;
- Age profile of population;
- High % of ethnic minority residents;
- High housing rental and low owner-occupier rates; and
- CPA journey from 2002.

Customer satisfaction is improving where the council has consulted about service provision.

Policy decisions and high investments reflect key issues, local and national priorities and have resulted in significant improvements for local people, particularly in education, social care and the environment.

The council planning framework focuses on managing and improving vfm by the use of CIPPF, MTFS, Scrutiny, planning and reporting templates.

The overhaul of procurement processes is proving to be effective. VFM considerations are built in and are an intrinsic part of process.

Improvement opportunities

KLOE 5.1 The Council currently achieves good value for money.

The council should continue to track and assess public opinion about vfm in contrast to comparatively high council tax and demonstrate proof of the improvements in education and social care.

KLOE 5.2 The Council manages and improves value for money.

A Scrutiny vfm tool was developed and piloted in 2006/07 to be rolled out in 2007/08.

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.

Appendix 2 – Action plan

Page no.	Improvement opportunities	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	KLOE 1.1 Standard of working papers required to be exemplary.	3	Head of Corporate and Strategic Finance and Heads of Finance	Agreed	Definition of exemplary to be agreed with Audit Commission. Template for working papers, detailed guidance and a checklist have been further enhanced in guidelines distributed for 2006/07 final accounts process.	End March 2007 for 2006/07 process.
7	KLOE 1.1 Eradication of significant errors.	3	Head of Corporate and Strategic Finance and Heads of Finance	Agreed	Final Accounts action plan produced following 2005/06 audit. Follow up action taken on areas where significant errors made in 2005/06. Weekly steering group chaired by Corporate Finance Manager to monitor progress. Final accounts launch in March 2007 highlighted areas for improvement. Training offered/provided to officers. Arrangements for including non-finance and partner colleagues in process strengthened. Guidelines strengthened and included further requirements for sign off by team leader and head of finance of working papers to ensure errors picked up prior to audit.	Guidelines and final accounts launch in March 2007. Ongoing via 2006/07 process.

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Page no.	Improvement opportunities	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	KLOE 1.1 Members of Audit Committee offered training on the technical accounting aspects of the statements.	3	AD Finance/ Head of Corporate and Strategic Finance	Agreed	Briefing on new SORP provided March 2007 to Audit Committee. Further special session to be arranged on technical aspect of statements and changes.	March 2007 for briefing. May/June 2007 for further technical aspects.
7	KLOE 1.2 Production of annual report 2006/7, taking account of consultation with stakeholders.	3	AD Finance/ AD Performance management	Agreed	Annual report 2005/06 was produced and 2006/07 will also be produced and finalised once audit sign of annual accounts and PIs are available.	Publication of 2006/07 reported following audit sign off of accounts.
9	KLOE 2.1 – Annual report production, see above response.					
9	KLOE 2.2 Accrued budgets on quarterly basis.	3	Head of Corporate and Strategic Finance and Heads of Finance	Agreed	Accrued budgets to be produced in 2007/08 and developed.	2007/08 financial monitoring.
9	KLOE 2.2 Production of balance sheets.	2	Head of Corporate and Strategic Finance	Agreed	Some aspects are currently reported (reserves) Quarterly balance sheet to be developed and reported in 2007/08.	2007/08 financial monitoring.
9	KLOE 2.3 Asset management – performance measurement and benchmarking is communicated to stakeholders and is fully co-ordinated with relevant financial information.	3	Head of Property Services	Agreed	The 2006 Corporate AMP identified a number of national KPIs, with links to local ones Walsall has adopted to support the national ones. Data in respect of 2006/07 will be presented to cabinet and will inform the process for the 2007-2012 Corporate AMP. CPG recently received a report identifying energy efficiency for each of our buildings and an action plan is being developed on the back of this data.	Ongoing 2007/08.

Page no.	Improvement opportunities	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>Similarly, backlog of repairs and the programme for 2007 has been reported to CPG, which receives a monthly update on progress with works to implement DDA requirements.</p> <p>Property Services is in the process of procuring a new IT system which will record relevant property information and will link in to Estate's Land Terrier system, giving a fully integrated system.</p> <p>Further work will be done to further integrate asset management and financial data.</p>	
11	KLOE 4.2 Embedding of all procedures to ensure maintenance and evidence of adequate internal control across all processes.	3	Head of Corporate and Strategic Finance/ Head of Internal Audit	Agreed	<p>Regular monitoring and review of implementation of agreed audit recommendations to continue.</p> <p>ED assurance statements to require assurance that identified areas of improvement in internal control arrangements are being followed up and implemented.</p> <p>Areas of improvement have been identified in the SIC and are followed up – this will continue.</p> <p>Annual review will ensure that areas of concern are picked up and followed up.</p>	Ongoing.

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Page no.	Improvement opportunities	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	KLOE 4.3 The council should consider the need for follow up or refresher training.	3	Head of Internal Audit/ AD Legal Services/ Head of HR	Agreed	Training on financial and contract rules has now been provided to nearly 500 colleagues. Counter fraud activities have included preparing and issuing audit fraud toolkit and training slides to all staff. We have reviewed/refreshed the whistleblowing policy.	Part implemented and ongoing.
12	KLOE 5.1 The council should continue to track and assess public opinion about VFM in contrast to comparatively high council tax and demonstrate proof of the improvements in education and social care.	3	AD Performance Management Re:Co-ordination EDs and VFM Champions re individual directorates	Agreed	Improve tracking arrangements and presentation of evidence to support improved VFM.	Ongoing.