

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15 DECEMBER 2008

USE OF RESOURCES FEEDBACK 2007/08

Responsible Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance
Responsible Head of Service	Jayne Pickering, Head of Financial Services

1. SUMMARY

- 1.1 To advise Audit Board of the draft report on Use of Resources judgement 2007/08 from the Audit Commission and to consider the feedback in relation to improvements that have been identified..

2. RECOMMENDATIONS

- 2.1 Audit Board to consider the 2007/08 Use of Resources feedback and recommendations received from the Audit Commission (Appendix 1).
- 2.2 Audit Board to request the Head of Financial Services to prepare an action plan to address the improvements identified and to present this action plan to the next Audit Board meeting

3. BACKGROUND

- 3.1 Members will be aware that the Council received a formal scoring of 2 out of 4 in relation to the 2007 Use of Resources scoring from the Audit Commission. Within the framework of the judgement there was a score of 1 (out of 4) in relation to Value for Money and no scores for any specific criteria were higher than 2.
- 3.2 The judgement is made up over a number of themes:
- financial reporting – how good the council’s financial accounting and reporting arrangements are
 - financial management – how well the council plans and manages its finances
 - financial standing – how well the council safeguards its financial standing
 - internal control – how the council’s internal control environment enables it to manage its significant business risks

- value for money – whether the council currently achieves good value for money and how well it manages and improves value for money

3.3 The table below shows the scoring Bromsgrove received for the individual themes :

Table 1:

Theme	Score
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4 (2 out of 4 last year)
Value for Money	2 out of 4 (1 out of 4 last year)
Overall	2 out of 4

3.4 The improvements in scoring for Risk Management, Internal Control and Value for Money demonstrate that the Council is improving in these areas. In addition an increase from 2 to 3 was awarded for our promotion of external accountability in financial reporting (information made available in understandable and accessible format to the public). The Scoring of 2 reflects that the Council is “performing at minimum requirements and is maintaining adequate performance”. The individual scorings of 3 demonstrate “the Council consistently performs above minimum requirements in these areas – performing well”.

4. EXTERNAL AUDIT FEEDBACK

4.1 Attached at Appendix 1 is the full draft report received from the Audit Commission in relation to the formal assessment. It is subject to an Audit Commission formal quality checking process which may adjust the scores identified. The main areas where the auditors feel the Council should improve are :

- Improvements to working papers
- Explanation of technical terms and key financial information for the public
- Link ICT and HR strategic plans to the financial plan
- Develop indicators for material items of spend for revenue and capital
- Review financial management arrangements more regularly
- Develop financial variance systems to manage budgets more effectively
- Develop more detailed asset management records for the asset base we hold
- Develop risk assessment of fraud work and policies

- Capital Programme to be more closely monitored
- Develop cost information to link with performance to understand value for money in the delivery of services

5. FUTURE USE OF RESOURCES FRAMEWORK

- 5.1 From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 5.2 Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate improvements including:
- a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 5.3 The assessment is structured into three themes:
- managing finances: sound and strategic financial management;
 - governing the business: strategic commissioning and good governance; and
 - managing resources: effective management of natural resources, assets and people.
- 5.4 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For 2009/10 the areas of natural resources and strategic asset management will not be assessed. The Use of Resources assessment will feed into the CAA and is planned to be published in November 2009.
- 5.5 Officers of the Council are currently discussing the new framework with the Audit Commission to address the timeline for preparation of self assessment and new judgements.

6. FINANCIAL IMPLICATIONS

None as a direct result of this report.

7. LEGAL IMPLICATIONS

None.

8. COUNCIL OBJECTIVES

8.1 The effective use of resources underpins all the Council's objectives.

9. **RISK MANAGEMENT**

9.1 The main risks associated with the details included in this report are:

- Ineffective financial management.
- Poor Value for Money culture.
- Lack of an effective internal control environment.

9.2 These risks are being managed as follows:

- Ineffective financial management:

Risk Register: Corporate
Key Objective Ref No: 1
Key Objective: Effective Financial Management

- Poor Value for Money culture:

Risk Register: Financial Services
Key Objective Ref No: 9
Key Objective: Effective VFM culture and compliant procurement best practices.

- Lack of an effective internal control environment:

Risk Register: Financial Services
Key Objective Ref No: 3
Key Objective: Efficient and effective Internal Audit service

10. **CUSTOMER IMPLICATIONS**

10.1 None.

11. **EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 None.

12. **OTHER IMPLICATIONS**

Procurement Issues	None
Personnel Implications	None
Governance/Performance Management – subject of the report	

Community Safety including Section 17 of Crime and Disorder Act 1998	None
Policy	None
Environmental	None

12. OTHERS CONSULTED ON THE REPORT

Please include the following table and indicate 'Yes' or 'No' as appropriate. Delete the words in italics.

Portfolio Holder	Yes
Acting Joint Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	No

APPENDICES

Appendix 1 Audit Commission Use of Resources Draft report 2007/08

CONTACT OFFICERS

Jayne Pickering, Head of Financial services, 01527 881207,
j.pickering@bromsgrove.gov.uk