

# Use of Resources

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## Project Brief

Wirral Metropolitan Borough Council

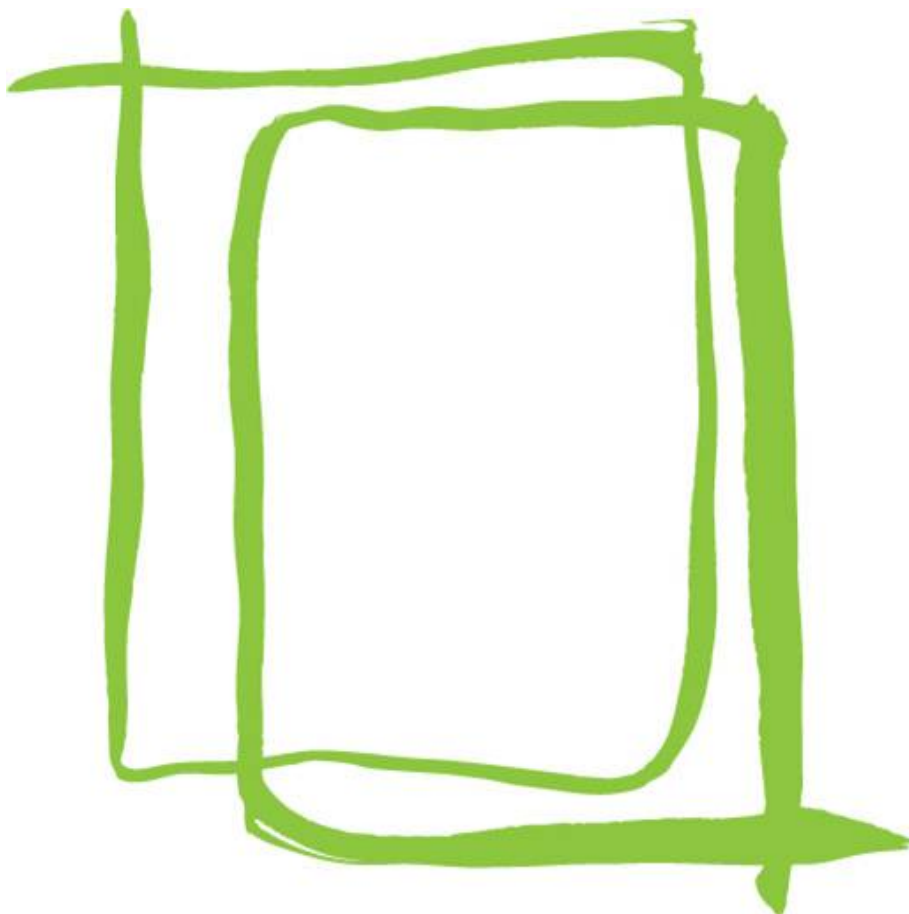
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Audit 2008/09

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December 2008

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

- 1 2009 is the fifth use of resources (UoR) assessment to be undertaken at councils but it will be significantly different to the previous approach as it will focus on outcomes achieved. The use of resources assessment forms part of the new Comprehensive Area Assessment (CAA) from 2009 and will also feed into other relevant performance assessment frameworks as appropriate. The use of resources key lines of enquiry will also be the 'relevant criteria' for the value for money conclusion that is part of our work under the Code of Audit Practice.
- 2 This brief outlines the approach we will take to the UoR assessment at Wirral Borough Council, who the key contacts will be and the reporting arrangements. The Audit Commission published the overall approach and key lines of enquiry (KLOE) in May 2009 <http://www.audit-commission.gov.uk/useofresources/2009kloe.asp>. It has also prepared guidance for auditors to support them in carrying out their assessments and made this available to audited bodies on its website at the following link <http://www.audit-commission.gov.uk/useofresources/2009guidance.asp>.

# Background

- 3 The Audit Commission review of 2007/08 found that the Council's arrangements had continued to improve during the period of assessment, from April 2007 to March 2008. The overall assessment improved in three out of the five themes. The areas of improvement were in respect of financial management, financial standing and internal control which all scored level 3. Financial reporting and value for money remained at level 2 although there were improvements in arrangements.
- 4 The 2008/09 use of resources assessment will consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. It is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. It will be applied to all local government bodies, including police and fire authorities, and to primary care trusts in the NHS.
- 5 Many of the new KLOE within the themes are similar to the previous KLOE, although there are some new areas, such as the use of natural resources and workforce planning. The new KLOE within each of the themes are shown in the table below.

**Table 1 Use of resources KLOE 2008/09**

The new use of resources is split into three themes and ten KLOE

Managing finances	Governing the business	Managing resources
1.1 Financial planning & financial health	2.1 Commissioning & procurement	3.1 Natural resources
1.2 Understanding costs & performance	2.2 DQ & use of information	3.2 Asset management
1.3 Financial monitoring & reporting	2.3 Good governance & ethical behaviour	3.3 Workforce planning
	2.4 Risk management & internal control	

Source: Audit Commission

# Scope and objectives

- 6 The 2008/09 KLOE are shown at Table 1 on the previous page. The KLOE are more broadly based than previously and embrace wider resource issues such as the use of natural resources. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes, and are more strategic and less detailed. They are supported by characteristics of performance, which are used as an aid to the exercise of the auditors' professional judgment. The underlying characteristics are indicative of differing levels of expected performance, and are not criteria to be complied with in all circumstances.
- 7 The KLOE and supporting characteristics are based upon published best practice, standards and professional guidance, where available, and the principles set out in the Commission's publication World Class Financial Management.
- 8 A proportionate approach will be applied to the assessment of the KLOE. The Audit Commission has specified in its annual work programme and fees document which KLOE are to be assessed over the coming year. The specified KLOE differ for each sector in order to reflect sector priorities. In 2008/09, we will assess nine of the ten KLOE at single tier and county councils - KLOE 3.3 on workforce will not be assessed this year. However, arrangements will need to be in place from 1 April 2009 for the 2010 assessment so we have had early discussions with the Head of HR.
- 9 The objectives of our work are to:
  - make a judgement about whether we are satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - the value for money conclusion in the statutory audit report that we give under The Code of Audit Practice. We will apply a yes/no judgement against the criteria to indicate whether the Council has proper arrangements in place or not. A 'no' judgement is equivalent to a UoR score of 1 and a 'yes' judgement is equivalent to a score of at least 2;
  - assess how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people which is part of the organisational assessment under CAA;
  - inform the managing performance organisational assessment under CAA; and
  - provide intelligence to inform the area assessment under CAA.

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# Audit approach

- 10 The approach for 2008/09 is significantly different. The emphasis of the assessment will be on a rounded professional judgement against the headline key lines of enquiry (KLOE) – ‘top down’ rather than ‘bottom up’ approach. It moves away from a checklist of criteria to illustrative characteristics of performance included within the guidance. Most importantly, there is less focus on prescriptive arrangements and process and more focus on outcomes and what difference the arrangements have made.
- 11 There will again be a four level scoring system, but levels 2 and 3 will be broad descriptions of 'getting the basics right' and 'performing well' respectively. Scores of 4 will be reserved for excellence and genuine leading edge performance. Level 1 represents a failure to meet the minimum requirements at level 2. The Audit Commission is still to determine the approach for arriving at the theme scores and the overall use of resources score.
- 12 Our work continues to be based on an assessment of risk. The approach for 2009 will be supported by evidence gained in previous years and we will update the assessments for any changes and improvements and carry out testing to confirm arrangements and outcomes. The guidance for auditors available to the Council at <http://www.audit-commission.gov.uk/useofresources/2009guidance.asp> sets out the links to the 2007/08 use of resources assessments. For example, the new KLOE 1.1 on managing finances links to the 2007/08 KLOE 2.1, 2.2 and 3.1.
- 13 We will also carry out detailed work on performance management and procurement (separate project briefs will be agreed) and current ongoing work on Ethical Governance, Governance of Partnerships and Improvement through Better Financial Management will inform the assessment. We also plan to hold a workshop for key officers to work through the details of the new approach.
- 14 We will undertake the fieldwork during 2009 and scores will be notified to councils in the autumn of 2009. Key dates for the 2009 assessment are shown at paragraph 17. The key contacts for the audit team and the Council are shown at paragraphs 18 and 20.
- 15 We will carry out the work through:
  - review of key documents;
  - interviews with officers and members; and
  - ongoing discussions and review of minutes and media.
- 16 There is no requirement for a self assessment. However, if a well evidenced self assessment is carried out, formally or informally, it will help us to make a quick and robust assessment and ensure that all relevant information is taken into account.

# Reporting and timescales

17 The use of resources assessment and value for money conclusion 2008/09 will be based on the same KLOE and will be reported in the Annual Governance Report alongside the opinion on the statement of accounts. The deadline for this is 30th September 2009. The following timetable is provisional at this stage and will be kept up to date throughout the audit.

Date	Activity/milestone
January 2009	Agree brief with Lead Director
January 2009	Workshop for key officers
January - April 2009	Fieldwork
May - June 2009	Audit team regional quality assurance (QA) and internal challenge
June/July 2009	Review of reports to members
August 2009	Submission of draft scored judgements for national QA
End August 2009	Agreement of value for money conclusion and scored use of resources judgements
Early September	Draft Annual Governance Report
Mid September	Final Annual Governance Report
Late September 2009	Audit & Risk Management Committee (papers out one week before)
October/November 2009	Draft organisational assessment report shared with the Council
Late November 2009	Final organisational assessments reported as part of CAA reporting. Issue annual audit letter.

# Audit personnel and key contacts

18 The following Audit Commission staff will be involved with the work.

Name	Contact details
Mike Thomas, District Auditor Overall responsibility for the audit	<a href="mailto:m-thomas@audit-commission.gov.uk">m-thomas@audit-commission.gov.uk</a> 0844 7987043 or 07879 667712
Liz Temple-Murray, Audit Manager Lead contact for UoR Manager for KLOE 1.1, 1.3, 2.2, 2.3, 2.4, 3.2	<a href="mailto:l-temple-murray@audit-commission.gov.uk">l-temple-murray@audit-commission.gov.uk</a> 0151 666 3483 or 07769 887358
Dave Wilson, Performance Manager Manager for KLOE 1.2, 2.1, 3.1 Manager for projects on Performance Management and Sustainability	<a href="mailto:da-wilson@audit-commission.gov.uk">da-wilson@audit-commission.gov.uk</a> 0844 7987333 or 0774 8930598
Dave Catherall, Principal Auditor	<a href="mailto:d-catherall@audit-commission.gov.uk">d-catherall@audit-commission.gov.uk</a> 0151 6663497
Kath Johnson, Performance Specialist	<a href="mailto:ka-johnson@audit-commission.gov.uk">ka-johnson@audit-commission.gov.uk</a> 0844 7983579
Rob Metcalf, Principal Auditor	<a href="mailto:r-metcalf@audit-commission.gov.uk">r-metcalf@audit-commission.gov.uk</a> 0151 6663484

19 The following staff will be our key contacts for the use of resources work overall and for the individual key lines of enquiry (KLOE). Ian Coleman and Tom Sault will be lead director and contact respectively, responsible for liaising with the audit team on a regular basis and coordinating the work, feedback and messages within the Council. The Lead Director will keep management up to date with progress on issues through the monthly Corporate Improvement Group (CIG).

20 We have agreed that the three central directors will be responsible for each of the three KLOE themes. Supporting this we have agreed key contacts for each of the individual KLOE. It is the responsibility of each of the key contacts to ensure that their line managers and the responsible Directors as well as the lead Director and Lead contact are kept up to date with issues arising on individual KLOE.



## Audit personnel and key contacts

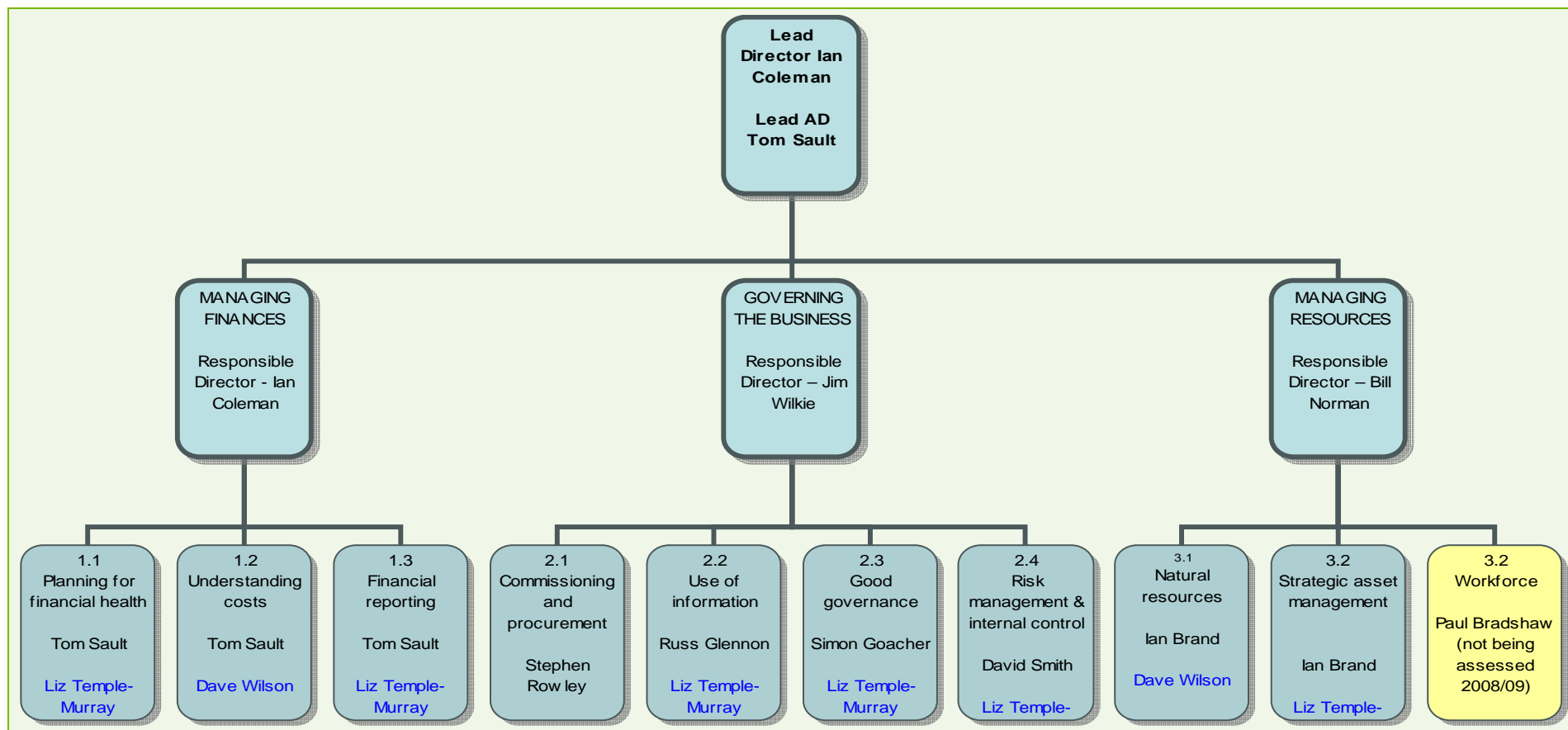
Name	Contact details
Ian Coleman, Director of Finance Lead director for UoR overall Responsible director for 'Managing Finances' (KLOE 1)	<a href="mailto:iancoleman@wirral.gov.uk">iancoleman@wirral.gov.uk</a> 0151 666 3056
Tom Sault, Head of Financial Services, Finance Lead contact for UoR overall Key contact for KLOEs 1.1, 1.2 and 1.3	<a href="mailto:tomsault@wirral.gov.uk">tomsault@wirral.gov.uk</a> 0151 666 3407
Jim Wilkie, Deputy Chief Ex and Director Corporate Services Responsible director for 'Governing the Business' (KLOE 2)	<a href="mailto:jimwilkie@wirral.gov.uk">jimwilkie@wirral.gov.uk</a> 0151 691 8183
Bill Norman, Director Law, HR and Asset Management Responsible Director for 'Managing Resources' (KLOE 3)	<a href="mailto:billnorman@wirral.gov.uk">billnorman@wirral.gov.uk</a> 0151 691 8498
Stephen Rowley, Head of Support Services, Finance Key contact for KLOE 2.1	<a href="mailto:stephenrowley@wirral.gov.uk">stephenrowley@wirral.gov.uk</a> 0151 666 3525
Russ Glennon, Head of Policy, Corporate Services Key contact for KLOE 2.2 [also Stephen Rowley]	<a href="mailto:russglennon@wirral.gov.uk">russglennon@wirral.gov.uk</a> 0151 691 8152
Simon Goacher, Head of Legal & Member Services, Dept of Law, HR & Asset Mgt Key Contact for KLOE 2.3	<a href="mailto:simongoacher@wirral.gov.uk">simongoacher@wirral.gov.uk</a> 0151 691 8569
David Smith, Deputy Director, Finance Key contact for KLOE 2.4	<a href="mailto:davidsmith@wirral.gov.uk">davidsmith@wirral.gov.uk</a> 0151 666 3491
Ian Brand, Head of Asset Management, Dept of Law, HR & Asset Mgt Key contact for KLOEs 3.1 and 3.2	<a href="mailto:ianbrand@wirral.gov.uk">ianbrand@wirral.gov.uk</a> 0151 691 8686
Paul Bradshaw, Head of Human Resources, Dept of Law, HR & Asset Mgt Key contact for KLOE 3.3	<a href="mailto:paulbradshaw@wirral.gov.uk">paulbradshaw@wirral.gov.uk</a> 0151 691 8590

21 This brief was agreed with the Director of Finance on 17 December 2008.

# Appendix 1 – Document request

To be agreed with key contacts. The following link to the guidance gives suggested sources of evidence for each KLOE <http://www.audit-commission.gov.uk/useofresources/2009guidance.asp>.

# Appendix 2 – Key responsibilities



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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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