

Use of Resources

December 2006



Use of Resources Report 2006

Wirral MBC

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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. Our judgements are made for each theme on the following scale – this is the standard scale adopted by the Audit Commission across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Inadequate performance
2	Adequate performance
3	Performing well
4	Performing strongly

The overall score for Use of Resources assessment will be reported to the Council by the Audit Commission on 1 December 2006.

- 3 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 we consider whether, in addition to meeting the descriptors/criteria, councils can demonstrate innovation or best practice that can be shared with other authorities.
- 4 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.
- 5 The five theme scores for Wirral Council are outlined overleaf. This summary sets out our key findings in relation to each theme and key areas for improvement. Whilst the overall use of resources score for 2006 is adequate there have been improvements in a number of key areas. For example in 2005 the key factors in determining the overall judgements for Financial Standing and Internal Control were the significant overspend in social services and the weaknesses reported in our Public Interest report on Cheshire Lines. The Council's positive response to both these issues has resulted in improved scores this year.

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	2	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	3	2
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	1
2.3 The Council manages its asset base.	2	2
Financial standing	2	1
3.1 The Council manages its spending within the available resources.	2	1
Internal control	2	1
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	1
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	1
Value for money	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

- 6 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

Financial reporting	
Theme score 2	
Key findings and conclusions	
<p>Accounts were produced in accordance with statutory requirements and within earlier deadlines, despite the implementation of 1 Business and key vacancies having a significant impact on capacity. Accounts were presented fairly, with the exception of a material misclassification of income and expenditure between Housing and Cultural Environmental & Planning services that was adjusted following audit. An unqualified opinion was issued, following considerable work that enabled us to remove the fundamental uncertainty in recent years' accounts. The Council has strengthened its arrangements to promote external accountability by making a summary format of the accounts publicly available. The number and nature of matters raised at audit have led to a conclusion that the Council is performing adequately in respect of financial reporting.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers</p>	<p>Improve arrangements for the internal qualitative review of the financial statements prior to their approval by Members and submission to audit. Strengthen procedures in specific areas including the review of year-end cut-off arrangements and working papers to support debtor and creditor balances. Ensure consistent treatment of sums due to and from PCTs.</p>
<p>KLOE 1.2 The Council promotes external accountability</p>	<p>Need to publish annual report or similar document, which includes the summary accounts and an explanation of key financial information, designed to be understandable and informative to members of the public and available in a wide variety of formats in order to meet local user needs.</p>

Financial management

Theme score 2

Key findings and conclusions

The Council has continued to develop its Medium term financial strategy, with improved links to corporate objectives and priority areas. It has strengthened its budget management arrangements in several areas, including action plans to address material variances and improving reports to Members. The Council manages its asset base. Although moving forward in all three areas, improvement opportunities remain and the Council is currently assessed as performing adequately.

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.

Ensure the corporate business plan clearly drives the medium term financial strategy (MTFS) and internal resource allocation, with changes in allocations determined in accordance with policies and priorities. Develop the detailed MTFP that underpins the overall MTFS. Detailed plan to include how funding gaps are to be financed, clear linkages to other internal strategies, e.g. HR, IT, accommodation and further developed sensitivity analysis and risk assessments.

KLOE 2.2 The Council manages performance against budgets.

Ensure the Council's reserves strategy appropriately takes account of key risk areas, including likely overspends. Strengthen aspects of the Council's budget monitoring arrangements, including production of profiled monitoring reports and monitoring operational activity indicators that are lead indicators of spend. Regularly review the financial performance and outputs of partnerships, sharing results with partners and acting on results.

KLOE 2.3 The Council manages its asset base.

Ensure the asset management plan, and related accommodation strategy, are fully embedded and operating effectively with clear outcomes. The AMP/ Capital Strategy should be kept up to date by annual review in the light of changes to corporate or service priorities and the Council's financial position. It should evidence that the Council has reviewed the level of property holding needed to deliver their vision for future services, together with the associated level of funding for repairs and maintenance and other running costs, and set out what the Council plans to do with properties that do not meet these needs.

<h2>Financial standing</h2> <p>Theme score 2</p>	
<p>Key findings and conclusions</p> <p>The Council maintained its overall spending within budget. It has monitored its budget and underlying assumptions during the year and taken appropriate action to deal with any deterioration in financial position. Budget pressures during the year have meant that available balances have again had to be utilised and remain at a low level. The Council needs to clearly state its reserves strategy and evaluate the effectiveness of its debt recovery arrangements. The Council is assessed as performing adequately.</p>	
<p>Improvement opportunities</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Ensure the Council consistently maintains its spending within its overall budget and without significant unexpected overspends.</p> <p>Develop the Council’s policy for reserves and balances to ensure it is based on a thorough understanding of its needs and risks and is properly and clearly reported to members. Ensure reserves and balances are maintained within the range agreed in the policy.</p> <p>Ensure the Council evaluates the effectiveness of recovery action, associated costs, and the cost of not recovering debt promptly for material categories of income.</p>

Internal control

Theme score 2

Key findings and conclusions

The Council has made good progress in strengthening some of its internal control and governance arrangements. Risk management continues to develop. The Council has in place an assurance framework that links achievement of its strategic objectives to risks, controls and assurances, with Members with responsibility for corporate risk management receiving reports on a regular basis to ensure risks are being actively managed. Training is being rolled out to ensure all appropriate staff are given relevant instruction and guidance in risk management and specific risk management training for Members is planned for December 2006. The Council has improved arrangements to ensure compliance with relevant laws, regulations and internal procedures. The Council is now effectively delivering the core functions of an Audit Committee. Whilst overall assessed as performing adequately, the Council is performing well in several areas and further improvement as identified below should contribute to an improved overall assessment.

Improvement opportunities

<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Ensure the risk management process specifically considers risks in relation to significant partnerships and provides for assurance to be obtained about the management of those risks.</p> <p>Provide training to Members with specific responsibility for risk management. (December 2006).</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Continue to embed the assurance framework into the Council's business process, for example through training and implementing recent corporate guidance for Project Management, Change Management and Business Process Improvement.</p> <p>Ensure governance arrangements with respect to partnerships are subject to regular review and updating.</p>
<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>Strengthen the arrangements for ensuring compliance with the Council's policies on gifts and hospitality</p>

Value for money

Theme score 2

Key findings and conclusions

The Council is developing a range of approaches to review and challenge costs and performance in order to demonstrate that they achieve value for money. This is work in progress and is not yet at the stage where the Council can demonstrate that it is achieving best value compared to other similar councils.

Performance is generally good but spend in a number of areas is higher than similar councils. These include overall spend, education and social services, local tax collection, benefits and community housing. In some areas where spend is low, performance is also low – for example, recycling and waste.

The Council is implementing a comprehensive improvement plan in response to the findings of the corporate assessment. The report was critical of the Council's approach to prioritisation and work to improve this is underway. This is an important piece of work which will support the Council's approach to VFM by ensuring that resources are allocated to priority areas.

There is a clear commitment to efficiency and to achieving VFM. The Council have begun to challenge areas of high cost and detailed reviews of cost and performance have been considered by chief officers in relation to adults and children's social care services. There is a strengthened role for the performance improvement group around VFM and further detailed reviews are planned in the near future. Work to develop a better range of cost indicators alongside performance indicators is planned. This will ensure that the Council has a better understanding of performance and costs and will be in a better position to ensure that they are achieving VFM in all areas.

The change programme is developing and the appointment of the Head of Transformational Change is a key appointment to move this forward. The Council recognises the need to change the way it operates if it is to secure long-term, sustainable savings. Whilst the Council has made significant progress in its efficiency agenda, a number of efficiency savings are still achieved through vacancy control and there is a need to be more specific about how efficiencies in areas such as culture, tourism and leisure will be achieved.

The Council is assessed as performing adequately at the current time but is very self-aware of the areas which it needs to address and these are well-documented in its improvement plans. The Council has made a positive start in implementing its plans and in ensuring that it has the capacity to deliver them.

Improvement opportunities	
<p>KLOE 5.1 The Council currently achieves good value for money.</p> <p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council needs to be in a position to demonstrate that it is achieving best value more clearly. The Council has begun a process of challenging costs and performance to demonstrate that its overall costs and unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services, allowing for the local context.</p> <p>The Council has a number of workstreams under way which are intended to improve its overall approach to VFM. These include:</p> <ul style="list-style-type: none"> • developing cost indicators and benchmarking to enable members and senior managers to understand and challenge costs; • developing a corporate approach for assessing value for money; and • strengthened arrangements around change management to ensure long-term, sustainable savings. <p>These are key pieces of work to support the Council in demonstrating that it is achieving best value.</p>

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 meet 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.
Financial standing	
3.1	Collection and recovery of material categories of income is monitored.

KLOE	Summary of criteria
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.