

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

23 JANUARY 2007

CABINET

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FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

6 FEBRUARY 2007

REPORT OF THE DIRECTOR OF FINANCE

COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA)

- USE OF RESOURCES

1. EXECUTIVE SUMMARY

- 1.1 This report provides details of the Audit Commission 2006 Comprehensive Performance Assessment Use of Resources judgement for Wirral. The report also explains the changes to the 2007 assessment criteria and details the action plan produced to achieve further improvements in the future.

2. BACKGROUND

- 2.1 First introduced in December 2002 the Comprehensive Performance Assessment 2005 (CPA) focused on achievements and outcomes rather than the processes involved. The overall CPA assessment for the Authority is based upon a series of separate assessments undertaken by the Audit Commission. A Corporate Assessment is undertaken on a triennial basis. There are also a number of service assessments, which are undertaken on an annual basis, as is the Use of Resources assessment.
- 2.2 The Code of Audit Practice launched by the Audit Commission on 1 April 2005 gave auditors a specific responsibility to scrutinise use of resources. The focus is on links between sound finances, strong management and good performance which means examining the overarching financial and performance management framework rather than individual service areas. There is an emphasis throughout the Use of Resources assessment process on good practice which can be evidenced as having been embedded throughout the organisation.
- 2.3 The Use of Resources assessment consists of a judgement made over five themes of financial activity known as key lines of enquiry. There are a series of separate criteria within each level for which compliance has to be evidenced of which a large number have essential status. Failure to meet one of these essential criteria will result in automatic failure to achieve that particular level. The five themes are listed in the table.

Theme	Key Line of Enquiry
1	Financial reporting
2	Financial management
3	Financial standing
4	Internal control
5	Value for money

2.4 The Use of Resources score is based upon a standard scale as follows:

Score	Standard Scale
1	Inadequate Performance
2	Adequate Performance
3	Performing Well
4	Performing Strongly

There are a number of sub components within the five themes, which are also awarded scores using the standard scale. An overall Use of Resources score is then determined from the theme scores.

2.5 The current CPA assessment process involves what the Audit Commission describes as 'A Harder Test'. Each year the criteria are revised and further additional essential criteria are introduced so authorities must show improvement in order to remain at their existing score.

3. **USE OF RESOURCES SCORE 2006**

3.1 The Audit Commission announced on 1 December 2006 that Wirral scored 2 for Use of Resources which equates to an 'adequate performance'. The report from the Commission notes that there have been improvements within a number of key areas.

3.2 The judgement for 2005 also resulted in an overall score of 2 but a comparison between 2005 and 2006 shows significant improvements within the themes. The 2005 assessment was reported to Cabinet on 30 January 2006 and included a number of areas scoring 1 whilst no area scored 3. The lower scores reflected the impact of the Public Interest Report and the budgetary overspend within Social Services. The 2006 assessment contains no scores below 2 and two themes have scored 3 and the Audit Commission has also referred to the Authority making good progress in a number of areas that will help to improve future performance. As mentioned earlier it should be noted that the latest assessment involved 'A Harder Test' than in the previous year.

3.3 A full comparison illustrating the scale of the improvement is shown below:-

Summary of scores at theme and KLOE level

	Score 2005	Score 2006
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	2	3
Financial Management	2	2
2.1 The Council 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 performances against budgets	1	2
2.3 The Council manages its asset base	2	2
Financial Standing	1	2
3.1 The Council manages its spending within the available resources	1	2
Internal Control	1	2
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	1	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of the business	1	2
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

3.4 The Audit Commission recognises the improvements made in each of the themes:-

(a) Financial Reporting

The annual Statement of Accounts for 2005/06 was reported before the statutory deadline of 30 June 2006. This earlier date was met despite the impact of the implementation of the 1 Business systems and key vacancies on the staff available. This had an impact on some of the qualitative aspects of the Accounts. However the Accounts received an unqualified Audit opinion.

(b) Financial Management

The Medium Term Financial Strategy continues to develop and in 2005/06 there were improvements in financial reporting particularly in respect of Social Services. This included the highlighting of the financial pressures with actions taken such that the 'unexpected' overspend that occurred in 2004/05 was not repeated.

(c) Financial Standing

Although balances were again used during the year the improvements referred to under financial management meant that the actions taken were made in the knowledge of the overall financial position.

(d) Internal Control

Following the Public Interest Report internal control and governance arrangements were strengthened. The improved score gives an indication of the impact that the Public Interest Report had on the 2005 score. Risk management has continued to develop and, with the work around insurance claims, has enabled sums to be made available to the General Fund during 2006/07.

(e) Value For Money (VFM)

The Authority has met the Annual Efficiency targets set following the Gershon Review and has made positive decisions in key areas, including waste by investing in a new Environmental Streetscene and Recycling contract to deliver improved performance.

3.5 The Audit Commission report details areas where opportunities exist for improvement and the action plan to address these is attached as Appendix A.

4. **USE OF RESOURCES 2007**

4.1 The annual assessment for 2007 will again be 'A Harder Test' as it will include further criteria which now become essential to meet in order to achieve either level 2 or 3. These are either new or were previously not essential.

4.2 Scores at a particular level can only be achieved if all essential criteria for that level can be demonstrated as having been achieved and can be shown to be embedded throughout the organisation. Thus to score a level 3 all essential criteria for levels 2 and 3 have to be met

4.3 The areas with increased emphasis for essential criteria within the assessment include:-

- 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.
- The financial performance of significant partnerships is reviewed and that governance arrangements are in place for these.
- Profiled financial monitoring reports are produced within 10 days of the month end.
- There is a training programme in place for Members and staff on financial issues (including for risk management).
- The Council is proactive in raising standards of ethical conduct among members of staff and can demonstrate that counter fraud and corruption work is adequately resourced.

4.4 The Authority is already meeting some of the additional requirements for the harder test and the action plan produced aims to ensure full coverage of the Use of Resources criteria.

5. **USE OF RESOURCES ACTION PLAN**

5.1 Based upon the comments of the Audit Commission in the report on the 2006 assessment, the proposals for 2007, and officers observations of areas for improvement, an action plan to secure improvements has been produced. The main issues are highlighted in the following sections.

5.2 Whilst issues raised by the Audit Commission are being addressed as part of the continuous improvement to services under the annual service planning process these are included within the comprehensive action plan.. The plan is a 'live document' which continues to be developed and reviewed and is based around general themes:-

a. Financial Reporting

Continued improvements to the timeliness and in the quality of supporting working papers for the annual Statement of Accounts which includes a pre-production review; consultation with stakeholders regarding format of information and further development of internet content. Continuation of formal audit review meetings with the Audit Commission

b. Financial Management

Further development of the Medium Term Financial Strategy and the linkages to priorities and other strategies; improvements to timeliness of profiled budget monitoring reports and improvements to monitoring of partnerships and asset management arrangements.

c. Financial Standing

Publication of a reserves and balances policy linked to risk assessment and improved cashflow monitoring reporting.

d. Internal Control

Further embedding of risk management throughout the organisation, training on risk management for appropriate Members and the continued functioning of an effective Audit Committee.

e. Value For Money (VFM)

This area is covered within the Corporate Action Plan and the actions include improvements to benchmarking information, cost indicators, the use of Audit Commission VFM profile data and the further strengthening of linkages between VFM and performance reporting.

6. FINANCIAL AND STAFFING IMPLICATIONS

6.1 There are no direct financial or staffing implications arising out of this report.

7. EQUAL OPPORTUNITIES IMPLICATIONS

7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

8.1 There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1 There are none arising directly from this report.

10. COMMUNITY SAFETY IMPLICATIONS

10.1 There are none arising directly from this report.

11. PLANNING IMPLICATIONS

11.1 There are none arising directly from this report.

12. LOCAL MEMBER SUPPORT IMPLICATIONS

12.1 There are no particular implications for any Members or wards arising out of this report.

13. **BACKGROUND PAPERS**

13.1 The Audit Commission Use of Resources Report 2006.

14. **RECOMMENDATIONS**

14.1 That the result of the 2006 Use of Resources assessment be noted.

14.2 That the action plan responding to the issues raised by the Use of Resources assessment be approved.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/18/07