

Use of Resources

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Use of Resources Auditor Judgements 2007

Epping Forest District Council

Audit 2007/08

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Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Epping Forest District Council. Our assessment is based on the key lines of enquiry (KLOE) for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its 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

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.

- 5 The five theme scores for Epping Forest District Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

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Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006	Score 2005
Financial reporting- score 3			
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	2	1
1.2 The Council promotes external accountability.	3	3	2
Financial management- score 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	3	3
2.2 The Council manages performance against budgets.	3	2	2
2.3 The Council manages its asset base.	2	3	3
Financial standing- score 3			
3.1 The Council manages its spending within the available resources.	3	3	2
Internal control- score 3			
4.1 The Council manages its significant business risks.	3	2	1
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2	2
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	3

Key lines of enquiry (KLOEs)	Score 2007	Score 2006	Score 2005
Value for money- score 2			
5.1 The Council currently achieves good value for money.	2	2	2
5.2 The Council manages and improves value for money.	3	2	1

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Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score 3	
Key findings and conclusions	
<p>The Council produced materially correct accounts within the statutory deadline. The accounts complied with the relevant accounting standards and were supported by comprehensive working papers. An unqualified audit opinion was issued on 20 September 2007 in advance of the statutory deadline. The accounts submitted for audit contained one non-trivial uncertainty and the Council responded to most audit requests promptly. The accounts were scrutinised by members prior to approval and this process was facilitated by an explanatory paper presented with the accounts.</p> <p>The Council promotes public accountability by publishing its accounts, annual audit letter and meeting agendas and minutes on the Council website. In addition the public are made aware of their rights under the Accounts and Audit Regulations. The Council has encouraged and received limited feedback on its annual report.</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>The Council should ensure that there is clear evidence that appropriate and up to date advice has been sought on complex tax issues. In addition the finance and legal departments should liaise closely on the sale of assets to ensure that the legal paperwork and accounting treatment are in line with each other.</p> <p>Working Papers have improved significantly in recent years but the Council should now give consideration to how they could be improved further. This might include more working papers being available electronically, a clear</p>

Theme score 3	
	review by the Head of Finance and all working papers requested being available at the start of the audit, clearly cross referenced to the working paper request document.
KLOE 1.2 The Council promotes external accountability.	The Council should actively consider new ways to encourage feedback on its annual report including focus groups and surveys. Based on the feedback the Council receives, the content and format of the report should be made as user friendly and relevant to the public as possible. The report should be available in a wide variety of formats so that those without access to the internet can read it.

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Financial management

Table 4

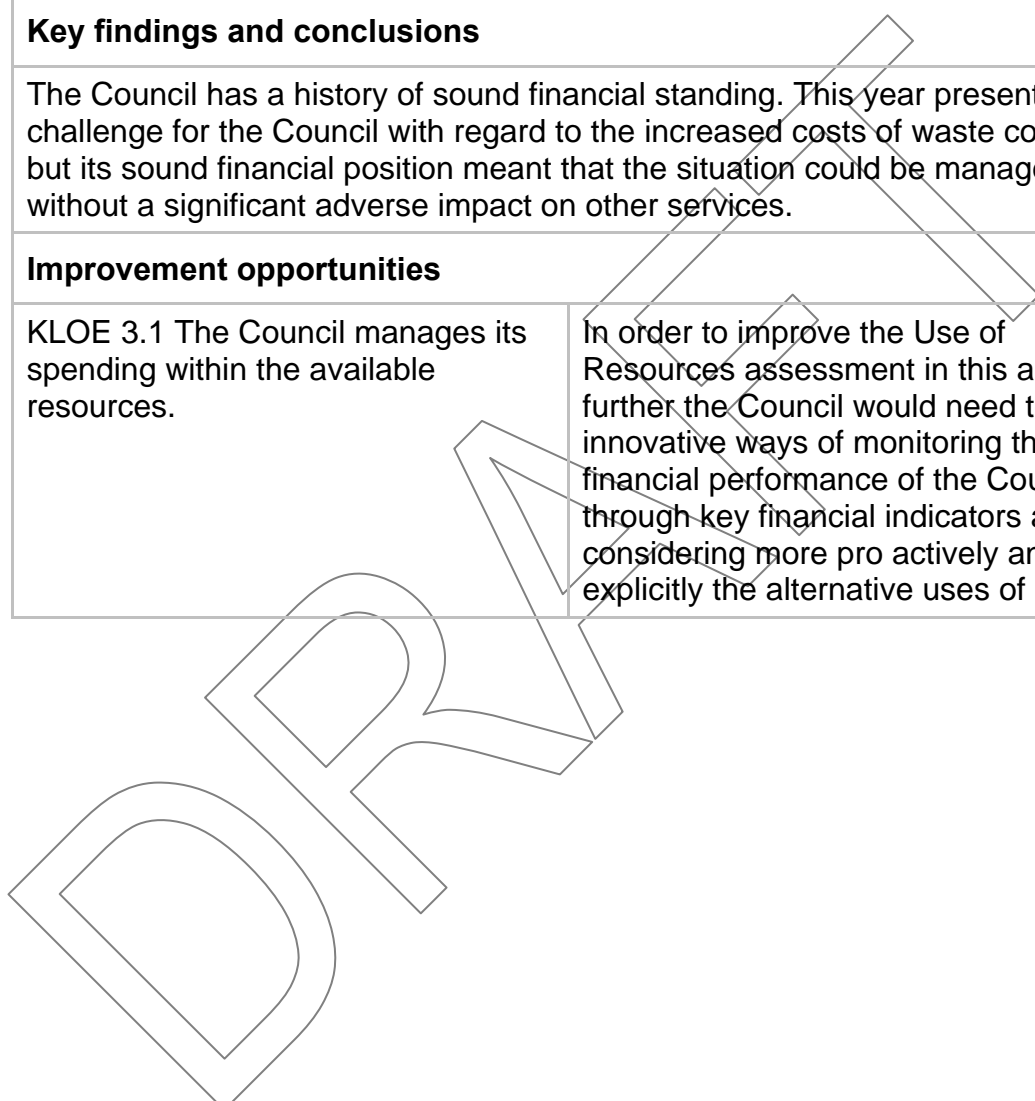
Theme score 3	
Key findings and conclusions	
<p>The Council consistently produces a medium term financial strategy which is driven by the priorities in the Council Plan. Comprehensive balanced revenue and capital budgets are set annually prior to the start of the financial year and the up to date position is regularly reported to senior officers and members during the year in a transparent way. Budgets are allocated to Heads of Service who ensure that business and financial planning are integrated through their service plans. The Council compares its performance against the Prudential Indicators annually.</p> <p>There are sound arrangements in place to manage performance against budgets. Although the Council waste collection contract costs have increased significantly this year, the Council has managed the position pro-actively and invested a significant amount of effort to achieve value for money. Members have been kept informed regularly and the Council has clearly understood the financial implications of the decisions it has taken.</p> <p>The Council has adequate arrangements in place to manage its asset base. There is an up to date Asset Management Plan although the links to the most recent Council Plan could be clearer. The Council has an accurate register of assets but the system being used is not robust enough for the Council's future needs.</p>	
Improvement opportunities	
<p>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.</p>	<p>The Council should set its medium term financial strategy within the context of the work and financial investment of its partner agencies to achieve the targets within the Local Area Agreement. In addition the Council should explicitly report how its financial strategies have helped achieve the Council's corporate objectives and be monitoring this throughout the year.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council should explicitly report on all the financial risks it is taking into account when setting its reserve strategy</p>

Theme score 3	
	<p>assuming there is no commercial risk in doing so. Accrued financial monitoring revenue and balance sheet reports should be produced regularly during the year. Users of financial systems should be consulted with regularly and their needs taken into account when developing the systems and delivering training. The Council should set specific challenging efficiency targets for services that are profiled and monitored throughout the year by officers and members.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council needs to ensure that the local performance indicators it has recently identified to evaluate asset use in relation to corporate objectives are reported and monitored by members regularly and that this element of performance management becomes embedded. In addition the Council should make the links between the updated Asset Management Plan and the most recent Council Plan clearer. The current asset register should be replaced by a more robust and flexible system to ensure it meets the Council's future needs.</p>

Financial standing

Table 5

Theme score 3	
Key findings and conclusions	
<p>The Council has a history of sound financial standing. This year presented a challenge for the Council with regard to the increased costs of waste collection but its sound financial position meant that the situation could be managed without a significant adverse impact on other services.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>In order to improve the Use of Resources assessment in this area further the Council would need to find innovative ways of monitoring the financial performance of the Council through key financial indicators and by considering more pro actively and explicitly the alternative uses of reserves.</p>



Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>The Council has made significant progress in this area since the first assessment in 2005/06. Most notably risk management arrangements have been established and are now considered to be sufficiently embedded. The Council will need to continue to invest in this process to ensure that the benefits to the Council from these arrangements continue.</p> <p>Adequate arrangements are in place to maintain a sound system of internal control. An Audit Committee has now been established in line with CIPFA recommendations and has met twice.</p> <p>The Council has continued to maintain good arrangements for ensuring probity and propriety in the Council and deals with adverse incidences promptly and appropriately.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>The Council should be able to demonstrate how risk management arrangements are clearly feeding through into corporate business processes such as strategic and financial planning, policy making and performance management.</p> <p>A member champion for risk management should be identified and training throughout the Council at member and officer level should continue to be delivered.</p> <p>All staff should continue to be fully aware of their role in risk management and understand their responsibilities.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The Council should continue to support the Audit Committee and ensure that it is an effective element of the Council's control arrangements. Formal action plans for weaknesses identified in the Statement of Internal Control should be approved and all key financial systems should have up to date procedures in</p>

Theme score 3	
	place.
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>In order to achieve further improvements in this area the Council would need to look at innovative ways to secure a high level of probity and propriety and demonstrate that this has been achieved with all members and staff.</p> <p>The Council would need to consider fraud as part of its risk management processes on an ongoing basis and continue to participate fully in the National Fraud Initiative.</p>

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Value for money

Table 7

<p>Theme score 2</p>
<p>Key findings and conclusions</p> <p>The Council's costs are higher than other comparable councils, although they are reducing. Performance improvement was above average over the last three years, although it was below average in the last year and the number of indicators in the top quartile is average for all District Councils. Value for money has been improved in three major areas of expenditure; waste management, leisure services and development control. Most areas of high spending are in line with the Council's priorities and investment is resulting in improving services.</p> <p>The Council is continuing to improve its understanding of costs and gives priority to driving costs down and improving quality as demonstrated with the waste collection service. It is prepared to invest in poorly performing services in order to achieve quality improvements. Areas of unintended high spending have been identified and the Council is addressing these.</p> <p>Investment has been made in Planning, which is showing improvement in performance and the Benefits service is a clear example of an embedded approach which is improving VFM. The externalisation of leisure management which took place in January 2006 has led to improved usage, satisfaction, increased investment and reduced costs.</p> <p>The Council has a good Capital Strategy. It reflects the Council's priorities and is designed to ensure that a strategic approach is taken and that projects are properly planned, managed and reviewed to ensure that VFM is achieved. Most projects are completed within budget; although there has been some slippage.</p> <p>The Council has developed a powerful analysis of costs and performance which is being used to increase understanding of costs and the relationship between costs and performance. It demonstrates a commitment to improving understanding throughout the organisation. There are examples of the Council taking its improved understanding of costs into account when making decisions. Achieving and improving value for money is being embedded in the council's culture through the VFM Strategy and VFM Analysis Tool, business planning processes, HR and management development programmes. The performance appraisal system is being modified to make it more performance focussed and embed VFM within all staff objectives.</p> <p>The Council has analysed and is assessing the value for money it is achieving as a result of its investment and other changes made in priority areas. Members are leading the scrutiny of these issues.</p> <p>The Council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services.</p> <p>The Council has produced and delivered on an efficiency plan which has</p>

<p>Theme score 2</p>	
<p>achieved and exceeded the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p> <p>The Council has improved its procurement practice and is demonstrating benefits from the implementation of its Procurement Strategy, with effective use being made of the Essex Procurement Hub to achieve benefits, including joint procurement with other councils. Procurement decisions are based primarily on cost and quality. Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality. Examples include waste management and ICT.</p> <p>Investment is targeted at improving value for money in the longer term. There are examples of past investment resulting in demonstrable improvements in value for money.</p> <p>Leisure services have been successful in securing external funding, but the Council as a whole less so.</p>	
<p>Improvement opportunities</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The Council should continue to address areas where costs compared with other similar Councils are higher than average, whilst also seeking improvements in performance and user satisfaction.</p> <p>The Council should improve arrangements so that most capital projects are completed on time as well as within budget.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Although there are examples of differential investment to improve equity of access and service, this should be become a more fundamental part of the Council's strategy and investment approach in services.</p> <p>The Council should pursue more opportunities for joint procurement with other councils, working with the LSP and other partners to improve value for money. The influences on procurement decisions should be expanded to include some consideration of wider issues, such as economic and environmental impact more routinely.</p> <p>The Council recognises that it needs to be more active in seeking external funding and an External Funding Strategy, which includes a detailed tool</p>

Theme score 2	
	kit, is now in final draft form.

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Conclusion

- 8 The Council's performance demonstrates that its investment to improve the arrangements for the Use of Resources has brought real improvement with the overall score increasing from 'adequate' (level 2) to 'good' (level 3). The Council now needs to ensure that maintaining and improving arrangements is seen as the responsibility of everyone within the Council so that as the standard required to meet the key lines of enquiry increases, the Council is well placed to them.

Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. PKF, as your new auditor from 2007/08, will be reporting their scores and findings from the 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 11 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.