



Accountants &
business advisers

Epping Forest District Council

**Use of Resources Key Lines of
Enquiry 2007/08**

February 2009

Contents

1	Executive summary	1
2	Context	3

Appendices

- A KLoE scores
- B Use of resources KLOE from 2009

1 Executive summary

Introduction

- 1.1 The Use of Resources judgements focus on the importance of having sound and strategic governance and financial management arrangements to ensure that resources are available to support the Council's priorities and improve services.

Summary of scores

- 1.2 The Council has achieved an overall Use of Resources score of **3** or **performing well**. The table below shows the movement in the five key lines of enquiry (KLOE) theme scores since the Audit Commission's 2006/07 assessment:

	Financial reporting	Financial management	Financial standing	Internal control	Value for money
2007/08	2	3	3	3	2
2006/07	3	3	3	3	2

- 1.3 Changes at sub-theme level are set out in the table at Appendix A.

Overall conclusion

- 1.4 The Council has achieved an overall Level 3 score for Use of Resources. Although the overall score has not changed the refinements made to the criteria used in the current year's assessment, including the introduction of 14 new criteria at Levels 2 and 3 and the conversion of 7 further criteria to 'bold' status (i.e. from "should have" to "must have"), has perpetuated the 'harder test' trend. This means that the Council has effectively had to improve its arrangements simply to maintain its previous year's scores.
- 1.5 As well as meeting the new criteria requirements, other key improvements at the Council include:
- the creation and operation of an effective Audit and Governance Committee
 - increased awareness of comparative performance and cost, achieved through a thorough internal Value for Money Review exercise.
- 1.6 The decrease in the Financial Reporting score was as a result of the accounts preparation processes not being as robust as in previous years, which resulted in incomplete working papers and a notable number of non-trivial but not material errors within the draft accounts being identified during the audit.
- 1.7 A detailed action plan aimed at securing further improvements has not been produced as part of this report because the Use of Resources assessment framework is changing substantially for 2008/09 (as outlined in Appendix B). Although there are some areas of continuing relevance, the new assessment criteria are more broadly based than the previous criteria and embrace wider resource issues such as people and workforce planning, and the use of natural resources. The new framework also focuses more on value for money achievements, outputs and outcomes rather than on processes, and criteria are more strategic in nature.
- 1.8 Consequently, it would not be possible for an action plan at this stage to provide a complete picture of the actions required to ensure comprehensive coverage of future use of resources requirements under Comprehensive Area Assessment.

- 1.9 However, we will work with the Council to determine the best way forward in preparation for an assessment that reflects the changing focus of the new Use of Resources assessments, with the increased emphasis on demonstrable outcomes that is needed to secure Level 3 scores.
- 1.10 Furthermore, weaknesses in accounts preparation processes have already been outlined in detail in the Final Report to Those Charged with Governance issued in September 2008, which included a detailed action plan covering those issues, and we understand the Council is preparing its own action plan to take forward the matters arising from the internal Value for Money Review. Progress on the latter has been adversely affected by capacity issues and urgent progress is required if benefits are to be realised, and outcomes achieved in time for the 2008/09 assessment.

Acknowledgement

- 1.11 We would like to thank the Council for the assistance provided to us in the course of this work.

2 Context

- 2.1 The Use of Resources judgements focus 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. It covers the five key lines of enquiry (KLoE) themes listed within the Executive Summary.

Scoring and self assessment review

- 2.2 Each judgement area consists of a number of KLoE and areas of audit focus and evidence. For the first four themes the criteria include elements that are indicated as "must haves" for that level and have been introduced to phase in those criteria where achievement is considered to be more demanding, or requires significant investment, and lead in time for authorities. The general requirement is that failure to meet any of these "must have" criteria would prevent that level being achieved for the KLoE.
- 2.3 The value for money aspect does not use "must have" criteria but is based on best fit as this is not underpinned by an equivalent body of professional standards and guidance, making the assessment necessarily more judgemental in nature.
- 2.4 The Council completed a self assessment of its arrangements for the period, and prepared evidence to support its conclusions.
- 2.5 We have used the self assessment evidence, supplementary evidence, our knowledge of the Council, enquiries of officers and Members and comparative performance data to score each assessment criteria using the descriptors for different levels of performance to determine which most closely matches the Council's performance. The overall Use of Resources score is based on combining auditors' scores for each of the areas covered on the following scale:

Level	Performance
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

Quality assurance and consistency

- 2.6 Draft assessment scores are subject to a number of quality assurance processes to ensure consistency on a local, regional and national basis.
- 2.7 Internally, PKF operates a quality assurance forum where individual auditor judgements are compared, contrasted and challenged across the PKF district council portfolio. This is complimented by a pan-Essex consistency forum attended by the appointed auditors of all district councils in Essex to provide another layer of challenge and comparison, with the aim of achieving consistency in approach and assessment across audit suppliers.
- 2.8 Finally, the scores and assessment are reviewed by national Quality Assurance Panels formed by the Audit Commission, providing risk based challenge using indicators such as use of auditor discretion and rapid change.

Appendix A – KLOE scores

Theme and Key Line of Enquiry	2007/08 Score	2006/07 Score
1.1 <i>Annual accounts</i>	2	3
1.2 <i>Promotion of external accountability</i>	3	3
1 Financial Reporting	2	3
2.1 <i>Medium term financial strategy, budgets and capital programme</i>	3	3
2.2 <i>Managing performance against budgets</i>	3	3
2.3 <i>Managing the asset base</i>	2	2
2 Financial Management	3	3
3.1 <i>Managing spending within available resources</i>	3	3
3 Financial Standing	3	3
4.1 <i>Managing significant business risks</i>	3	3
4.2 <i>Maintaining a sound system of internal control</i>	3	2
4.2 <i>Arrangements to promote and secure probity and propriety</i>	3	3
4 Internal Control	3	3
5.1 <i>Current achievement of good value for money</i>	2	2
5.2 <i>Managing and improving value for money</i>	3	3
5 Value for Money	2	2
Overall	3	3

Appendix B – Use of resources KLoE from 2009

Theme and KLOE	
Managing finances	
1.1	Planning for financial health
1.2	Understanding costs and achieving efficiencies
1.3	Financial reporting
Governing the business	
2.1	Commissioning and procurement
2.2	Use of information
2.3	Good governance
2.4	Risk management and internal control
Managing resources	
3.1	Natural resources ¹
3.2	Strategic asset management ¹
3.3	Workforce

- 1.1 From 2009 the Use of Resources assessment will form part of the Comprehensive Area Assessment and will also feed into other relevant performance assessments. It will be structured into three overall 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.
- 1.2 The scores for each theme will still be based on the scores reached by auditors on underlying KLoE. However, the KLoE will be more broadly based than the current KLoE and embrace wider resource issues. There will also be greater focus on value for money achievements, outputs and outcomes rather than on processes.
- 1.3 This approach will promote consistency and demonstrate that all organisations within a CAA area are being treated in exactly the same way and to the same standards.
- 1.4 The approach to the use of resources work will be on a risk basis and draw on evidence available from previous years where relevant. Once an initial baseline assessment of performance has been established for each KLoE, auditors will apply risk-based planning to focus on areas of significant change, and high performing organisations can expect to have less work undertaken on use of resources than at poorly performing organisations.
- 1.5 Further information is available on the Audit Commission's website at www.audit-commission.gov.uk.

¹ This KLoE is not specified for district councils for 2008/09