

Executive

26 February 2008

Report of the Assistant Director of Resources (Audit & Risk Management)

Use of Resources CPA (UOR CPA) 2007

Purpose

- 1 The purpose of this report is to advise the Executive of:
 - the final score for UOR CPA 2007 based on the criteria scores provided by the Audit Commission, further to the progress made in respect of implementing the rolling CPA UOR action plan;
 - the detailed findings and recommendations made by the District Auditor in his final report to the Council on the UOR CPA 2007, attached as Annex A to this report.

Final scores from the 2007 Assessment

- 2 The District Auditor has issued the final moderated scores for the Council's 2007 UOR CPA assessment. A comparative analysis of the scores for 2007, 2006 and 2005 is shown in Exhibit 1 overleaf.
- 3 The key points to note are:
 - the Council's overall UOR CPA score has improved overall from a 2 in 2006 to a 3 in 2007. It is expected that this, along with a more positive Direction of Travel statement for the Council (which has moved from *"improving adequately"* in 2006/07 to *"improving well"* in 2007/08) will make a significant and positive contribution to the outcome of the current CPA Corporate Assessment;
 - the District Auditor has recorded two instances of *'notable practice'*¹ in respect of our Fraud service arrangements and the annual financial report. This is the first time the Council has been commended nationally as a site of best practice further to the CPA UOR assessment process;

¹ *Examples of best practice logged nationally by the Audit Commission for reference by other local authorities and organisations*

4 In addition, there have been some key improvements in several of the sub-KLOE scores between the 2006 and 2007 assessments respectively, notably:

- **Financial reporting KLOE 1.2** *The Council promotes external accountability from a 2 to a 3;*
- **Internal Control 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 from a 2 to a 4 along with a corresponding improvement in the overall score for KLOE 4 from a 2 to a 3;*
- **Value for Money KLOE 5.2** *The Council manages and improves VFM from a 2 to a 3;*

Exhibit 1 Comparative assessment scores 2007, 2006 & 2005

		2007	2006	2005
1	Financial reporting	2	2	3
	1.1 The Council produces annual accounts in accordance with relevant standards and time tables, supported by comprehensive working papers	1	2	3
	1.2 The Council promotes external accountability	3	2	2
2	Financial management	3	3	3
	2.1 The Council medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3	2
	2.2 The Council manages performance against budgets	3	3	3
	2.3 The Council manages its asset base	2	3	3
3	Financial standing	2	2	3
	3.1 The Council manages its spending within the available resources	2	2	3
4	Internal control	3	2	2
	4.1 The Council manages its significant business risks	2	2	2
	4.2 The Council has arrangements in place to maintain a sound system of control	3	3	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	4	2	2
5	Value for money	3	3	3
	5.1 The Council currently achieves good value for money	3	3	3
	5.2 The Council manages and improves value for money	3	2	2
Overall UOR score		3	2	3

- 5 However, performance in some areas has worsened between the 2006 and 2007 assessments respectively, notably:
- **Financial reporting KLOE 1.1** The Council produces annual accounts in accordance with relevant standards and time tables, supported by comprehensive working papers **from a 2 to a 1 (and previously a 3 in 2005)**
 - **Financial management KLOE 2.3** The Council manages its asset base **from a 3 to a 2**
- 6 Nonetheless, it should be noted that the headline sub-section scores set out in Exhibit 1 above, hide the fact that the Council scored extremely well, in the most part, across the piece in respect of the detailed criterion tested across KLOEs 1-4 (detailed scores have not been provided by the District Auditor for KLOE 5 VFM). Exhibit 2 overleaf shows a comparison of details scores between 2006 and 2007 and the positive improvement achieved across the piece overall. In summary, we:
- failed 1 of the 77 criterion set out at Level 2, compared to 3 fails awarded as discretionary passes in 2006;
 - failed 5 out of 53 criterion set out at Level 3, compared to 13 last year, all of which were bold criteria resulting in overall sub-sections scores being held at level 2;
 - failed 19 out of 34 criterion at level 4, compared to 21 last year all of which were non-bold criteria for 2007.

The UOR CPA action plan

- 7 The rolling UOR CPA action plan was first compiled in 2005/2006 and is updated following each annual assessment. The plan details all the outstanding actions necessary to address known areas for improvement to be compliant at each level of the assessment criteria used (ie level 2, 3, 4). The plan is designed to demonstrate our understanding and awareness of the further action needed. The plan is ambitious and challenging and there are a number of key development areas in the plan that are additional to existing service commitments, and which are not resourced or can not easily be incorporated into the work programmes for the relevant teams without additional investment in those areas by the Council.
- 8 The plan was reviewed and updated following the 2006 assessment and reported to Management Team in February 2007. At that time, of the actions set out in the original plan, 102 out of 135 actions were complete, 17 in progress and 16 outstanding for action. The most significant of the actions still in progress or outstanding in respect of criteria that failed in the 2006 assessment, related to a small number of KLOE sub-section criteria that were likely to have an extreme and adverse impact on the 2007 assessment. These are set out in Exhibit 3 below, along with a summary of the scores achieved in the 2007 assessment as a result of the action taken in 2006/07.

Exhibit 2 Detailed analysis of comparative performance in 2007, 2006 & 2005

KLOE Ref	Total no. criteria	Level 2		Level 3		Level 4		Overall score 2007	Overall score 2006	Overall score 2005	Comment
		Pass	Fail	Pass	Fail	Pass	Fail				
1.1	13	6	1	3	1	0	2	1	2	3	Profile of the scores across criteria has worsened from 2006 as were marked down on moderation for criterion 1.1.3 (material errors in the draft accounts). However, the District Auditor has exercised discretion allowing us a 2 overall for KLOE 1 rather than keeping it to a 1, which would otherwise have restricted the 2007 UOR CPA assessment to a 2 overall
1.2	9	3	0	4	0	2	0	3	2	2	Significant improvement in scores at Level 3 and Level 4 due to new arrangements brought in to evidence better public consultation and reporting for purposes of 2006/07 accounts, further to implementation of actions agreed at CMT in February 2007
KLOE 1 Financial reporting								2	2	3	(Normally) overall score can be no better than score for KLOE 1.1
2.1	25	12	0	8	0	0	4	3	3	2	Improvement in overall profile of scores at Level 3 to consolidate on 2006 discretionary passes further to implementation of agreed actions in 2006/07
2.2	25	12	0	8	0	2	4	3	3	3	Improvement in overall profile at Level 3 and awarded discretionary pass for criterion 2.2.12 (partnerships) further to implementation of actions agreed at CMT in February 2007
2.3	15	8	0	3	1	1	2	2	3	3	Level 3 fail for criterion 2.3.10 (backlog mtce plan) went bold for 2007 assessment purposes
KLOE 2 Financial management								3	3	3	Overall score is calculated as an average for KLOE 2
3.1	13	8	0	1	2	0	2	2	2	3	Profile has worsened for Level 3 criterion due to auditor concerns over in year budget monitoring during 2006/07 and level of unexpected under-spends at year end
KLOE 3 Financial standing								2	2	3	

KLOE Ref	Total no. criteria	Level 2		Level 3		Level 4		Overall score 2007	Overall score 2006	Overall score 2005	Comment
		Pass	Fail	Pass	Fail	Pass	Fail				
4.1	14	5	0	4	1*	2	2	2	2	Failed at level 3 criterion 4.1.10, this was disputed at audit by officers as evidence from other LAs suggests CYC arrangements are as good/better than elsewhere but CPA score lower. Additional reporting arrangements have subsequently been introduced to ensure this criterion is passed in the 2008 assessment	
4.2	24	13	0	6	0	3	2	3	3	2	Significant improvement at upper Level 3 and Level 4 further to improvements in prior year and work done to demonstrate governance around significant partnerships following report to CMT in February 2007. Arguably now easily a 4 overall as 2 fails at Level 4 are non-bold and direction of travel supports 'excellence'.
4.3	26	9	0	11	0	5	1	4	2	2	Significant improvements at Level 3 and Level 4. Only one non-bold criterion failed across all 26 KLOE criteria
KLOE 4 Internal control								3	2	2	Overall score is calculated as an average for KLOE 4
5.1	No breakdown information available from the local auditor							3	3	3	No detailed score information provided by the local auditor as KLOE 5 assessed in the round rather than against set criteria by the local auditor.
5.2	No breakdown information available form the local auditor							3	2	2	No detailed score information provided by the local auditor as KLOE 5 assessed in the round rather than against set criteria by the local auditor.
KLOE 5 Value for money								3	3	3	Overall score can be no better than score for KLOE 5.1

Exhibit 3 Business critical UOR CPA improvement priorities 2006/07

CPA critical risks for 2007 based on 2006 fails		2007 score	Comments
KLOE 1.2	Actions to publish an annual report that includes summary financial information (actions 12 & 13) Level 4 non-bold fail in 2007 if not addressed	All passed at Level 4	All action taken as planned. Further refinement desirable for 2008 but standard met for 2007 assessment purposes
KLOE 2.1	Actions to improve public consultation and stakeholder/public communications and plans relating to the Council's corporate business plan and financial strategy (actions 19, 22, 30 & 31) Level 3 non-bold fail in 2007 if not addressed	Discretionary passes awarded at Level 3	Further improvement action needed to consolidate Level 3 scores in 2008. Failed at Level 4 in 2007, unlikely to be improved upon in 2008 assessment
KLOE 2.2	Actions to ensure the financial performance of key strategic partnerships is regularly reviewed and reported to all partners (actions 41 & 42) Level 2 BOLD fail in 2007 if not addressed, sub-section score will be held at level 1	Discretionary pass awarded at Level 2	Further improvement action needed to consolidate Level 2 score in 2008 and build on actions taken in 2006/07 to put in place proper management and reporting arrangements
KLOE 4.2	Actions to ensure partnerships agreements and governance arrangements all in place, up to date and regularly reviewed (actions 83 & 93) Level 2 BOLD fail in 2007 if not addressed, sub-section score will be held at level 1	Passed at Level 2	Further improvement action needed to consolidate Level 2 score in 2008 and build on actions taken in 2006/07 to ensure robust governance arrangements across the piece
KLOE 4.3	Actions to review and re-launch the Whistle-blowing policy (action 100) Level 2 BOLD fail in 2007 if not addressed, sub-section score will be held at level 1	Passed at Level 2	All action taken as planned.
KLOE 4.3	Ethical standards training and behaviours (actions 96 & 97) Level 3 BOLD fail in 2007 if not addressed	All passed at Level 3	All action taken as planned in 2006/07. Further improvement action needed to consolidate Level 3 and/or pass at Level 4 in 2008

- 9 As Exhibit 3 shows, we have been successful in obtaining full passes or discretionary passes in 2007 in respect of those criteria previously identified as being business critical to achieving an overall 3 for the 2007 UOR CPA and avoiding a possible overall score of 1. This success was due to a great deal of hard work by the officers involved in managing the successful implementation of the key actions required and the co-ordination of all necessary activities by the Officer Governance Group (OGG).
- 10 Work is on-going to consolidate the current position and prepare for the 2008 assessment. As in previous years, implementation and in-year monitoring and review of the plan will be undertaken by OGG. An update report on progress against the priority actions needed for completion before the end of the current year will be considered by Corporate Management Team in March 2008.

Options & analysis

- 11 Not relevant for the purpose of this report.

Consultation

- 12 Not relevant for the purpose of this report.

Corporate priorities

- 13 Not relevant for the purpose of this report.

Implications

- 14 None.

Risk Management

- 15 Not relevant for the purpose of this report.

Recommendations

- 16 The Executive is asked to:

- a) note the final scores for the 2007 UOR CPA assessment and the successful step back up to overall 3 in 2007 from 2 in 2006;

Reason

To advise Members of the moderated score for national publication by the Audit Commission

- b) note the report of the District Auditor attached as Annex A;

Reason

To advise Members of the detailed findings and conclusions of the District Auditor

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**Report
Approved**

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Specialist Implications Officer(s)

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A – Use of Resources Auditor Judgement (Report of the District Auditor)