

# **Use of Resources Auditor Judgements**

**City of York Council**

**Audit 2006/07**

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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 City of York Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for Councils, as part of the Commission's approach to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has 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	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 website. 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 the Council are outlined overleaf. These scores have now been confirmed by the national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. The Commission notified you of your Council's overall score for use of resources and supporting theme scores on 10 December 2007.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

## Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2007</b>	<b>Score 2006</b>
<b>Financial reporting</b>	<b>2</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	2
1.2 The Council promotes external accountability.	3	2
<b>Financial management</b>	<b>3</b>	<b>3</b>
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
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	2	3
<b>Financial standing</b>	<b>2</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	2	2
<b>Internal control</b>	<b>3</b>	<b>2</b>
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	3
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
<b>Value for money</b>	<b>3</b>	<b>3</b>
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	2

## Theme summaries

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

### Financial reporting

**Table 3**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The Council needs to implement the improvements to the production of working papers supporting the annual accounts. The Council has undertaken a robust and informative consultation process on whether to publish an annual report, but should publish the annual report more promptly after the year end.	
<b>Improvement opportunities</b>	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	As reported in our Annual Governance Report there are a number of actions that we have recommended to the Council to improve the robustness of the accounts production process. Officers have agreed to implement these actions for 2007/08.
KLOE 1.2 The Council promotes external accountability.	Publish the annual report more promptly after the year end. Continue to develop the annual report to incorporate a range of suggestions from stakeholders.

## Financial management

**Table 4**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council's financial management remains generally good although there are improvements that are needed especially with regards to managing its asset base.	
<b>Improvement opportunities</b>	
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>Improve the communication of the Council's medium term financial strategy. Links in the MTFS to other strategies should be more than a brief recognition of the existence of the other strategies, but should outline in financial terms how the strategy impacts on the MTFS.</p> <p>The MTFS should explicitly model a range of forecasts for the resource and balance requirements over a minimum of three years.</p> <p>The Council should monitor, and be able to demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>
KLOE 2.2 The Council manages performance against budgets.	<p>Financial management refresher training for members should be programmed more frequently throughout the lifetime of each Council.</p> <p>Budget monitoring should include an element of risk analysis, to focus monitoring on large, high risk or volatile budgets, rather than looking at all variances over a certain level.</p> <p>The Executive should review its effectiveness and leadership on financial management.</p> <p>Further develop the financial monitoring reports to Executive to ensure they present significant balances sheet items.</p>

<b>Theme score 3</b>	
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council needs to implement a comprehensive asset register and introduce controls to ensure that it is kept up to date and accurate.</p> <p>Members need to approve a plan that will address the Council's level of backlog maintenance.</p> <p>The links between the property priorities and the property performance should be made more clear, so that achieving the performance indicators clearly demonstrates delivering the property (and hence the corporate) priorities.</p>



## Financial standing

**Table 5**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The Council achieves all the minimum standard requirements, but further development and sophistication in the monitoring of financial standing.	
<b>Improvement opportunities</b>	
KLOE 3.1 The Council manages its spending within the available resources.	<p>The budget monitoring systems should be improved to ensure that the Council is aware of significant budget underspends promptly and can take action accordingly.</p> <p>The Council's approach to income collection needs to be developed, in particular to include consideration of value for money, including the costs of raising and recovering debts.</p> <p>Members should set challenging targets for a range of financial health indicators and should monitor these through the year.</p>

## Internal control

**Table 6**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council is demonstrating strong performance in the probity and propriety of its business, in particular in the publication of successful fraud convictions, but needs to further develop its approach to managing its business risks.	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant business risks.	<p>Reports on risk management to Audit &amp; Governance and Executive should include comprehensive information on the corporate risks, including the controls in place, the action taken and planned, and a timetable for implementation of these actions. The frequency of the reports to members should be sufficient to enable them to discharge their risk management responsibilities promptly.</p> <p>Risk management needs to continue to be embedded in the Council's corporate business processes.</p> <p>All members should attend risk management awareness training.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>The Audit &amp; Governance Committee should continue to develop its role with regards to risk management, to enable it to provide effective challenge across the Council and independent challenge on the risk management framework.</p> <p>The Committee should also be able to demonstrate the impact of its work.</p> <p>Governance arrangements for partnerships need to be regularly reviewed and updated.</p>

<b>Theme score 3</b>	
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.	The Council needs to continue to enhance its arrangements, in particular to address the cultural and communication issues identified in our ethical governance audit.

## Value for money

**Table 7**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council continues to generally deliver high quality services for a low cost. Improvements have been made in embedding the corporate performance monitoring process and in prioritising capital projects.	
<b>Improvement opportunities</b>	
KLOE 5.1 The Council currently achieves good value for money.	<p>Obtain a clearer understanding of the issues affecting satisfaction with the Council and identify and implement actions to improve the satisfaction levels.</p> <p>Deliver progress in reducing the level of sickness absence.</p> <p>Develop a clearer process for evaluating the outcomes from major projects and investments.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>Demonstrate that there is equity in access to services and value for money delivered across the changing and diverse community.</p> <p>Continue the development of targets in relation to strategic priorities and cross cutting issues such as diversity.</p> <p>Demonstrate the outcomes from the strategic procurement programme, and from the efficiency review programme.</p>

## Conclusion

- 8 The Council's performance demonstrates that it has improved from the position we reported last year, and is generally operating above the minimum requirements. Further improvement can be made in 2007/08 to ensure that performance continues on an upward trend, particularly with regards to the Financial Reporting and Financial Standing themes.

## 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. We will be reporting our scores and findings from our 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 In many areas the key lines of enquiry represent a significant raising of the required standards. They 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.

## Appendix 1 – Changes to the UOR key lines of enquiry 2008

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The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
<b>Financial reporting</b>		
1.1	2	An unqualified opinion in the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
<b>Financial management</b>		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities.  The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning.
2.3	4	Asset management is used as an enabler of change.  The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.

<b>Financial standing</b>		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
<b>Internal control</b>		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance
4.2		'Statement of internal control' has been replaced with 'governance statement'.
4.2	4	Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
<b>Value for money</b>		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie. Projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.

<b>Value for money</b>		
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.