

Use of Resources Audit Score Feedback

Gedling Borough Council

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Introduction	4
Summary scores for each theme	5
Theme summaries	6
Financial reporting	6
Financial management	7
Financial standing	8
Internal control	9
Value for money	11

Introduction

- 1 The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. It is a more stringent test than the auditor scored judgements that formed part of the comprehensive performance assessment (CPA) framework up until 2004. The scope of the assessment has also been widened.
- 2 The assessment focuses 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, covering five themes.
- 3 Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale.

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 The overall score for Use of Resources will be reported to the Council by the Audit Commission on 13 March 2006. The scores for the Council for the five themes are outlined overleaf.

Summary scores for each theme

Key Lines of Enquiry (KLoE)	Score SUBJECT TO NATIONAL QA
Financial reporting	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3
1.2 The Council promotes external accountability.	2
Financial management	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
2.2 The Council manages performance against budgets.	3
2.3 The Council manages its asset base.	3
Financial standing	2
3.1 The Council manages its spending within the available resources.	2
Internal control	3
4.1 The Council manages its significant business risks.	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	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.	3
Value for money	3
5.1 The Council currently achieves good value for money.	3
5.2 The Council manages and improves value for money.	3

Theme summaries

- 5 The key findings and conclusions for each of the five themes are summarised below.

Financial reporting

FINANCIAL REPORTING Overall score 3	
Key findings and conclusions	
<p>Accounts were produced to meet key deadlines and an unqualified opinion was issued. The agreed accounts timetable was delivered and the 2005/06 closedown plan has already been updated to improve final accounts procedures.</p>	
Improvements needed to move to next level	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Produce a set of accounts that is free from non-trifling errors.</p> <p>Improve further the completeness of final accounts working papers so that all are available, including those due from departments. A fully electronic set may be a solution.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Carry out formal consultation on the need for summary accounts or annual report that are intelligible to members of the public.</p>

Financial management

FINANCIAL MANAGEMENT Overall score 3	
Key findings and conclusions	
<p>The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. The Council actively manages its budgets and asset base.</p>	
Improvements needed to move to next level	
<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>Publish the MTFS in a user friendly format on the website.</p> <p>Amend the medium-term financial strategy to describe in financial terms joint plans agreed with partners and other stakeholders.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Consider need for fully accrued financial monitoring reports on a quarterly basis including appropriate revenue account and balance sheet items.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Improve reporting of the results of performance measurement and benchmarking to stakeholders where relevant.</p>

Financial standing

<p>FINANCIAL STANDING Overall score 2</p>	
<p>Key findings and conclusions</p>	
<p>The Council manages its spending within its available resources and sets a balanced budget. Possible overspends were identified early and appropriate action taken. The Council maintains its general fund working balance in line with its financial strategy and policy.</p>	
<p>Improvements needed to move to next level</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Produce monitoring information that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly.</p> <p>Monitor the opportunity costs of maintaining levels of reserves and balances and compare these with the benefits accrued.</p>

Internal control

INTERNAL CONTROL Overall score 3	
Key findings and conclusions	
<p>The Council has a well founded basis for helping to promote and ensure probity and propriety in the conduct of its business. However, no updating and maintaining its whistle-blowing policy has restricted the sub-score on 4.1. The Council has a Risk Management Group and copies its minutes to the lead member for Customer and Corporate Services. However, there are no reports on risk management to Cabinet or full Council.</p>	
Improvements needed to move to next level	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Update the risk management strategy Submit reports to the member committee with responsibility for risk management at least quarterly and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full Council at least annually.</p> <p>Nominate a senior officer and member to jointly champion and take overall responsibility for embedding risk management throughout the Council.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Implement the planned review of the audit committee's terms of reference and repeat on an annual basis, taking into account governance developments and how it integrates with other committees within the Council.</p>

INTERNAL CONTROL

Overall score 3

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.

Demonstrate that:

- a strong counter fraud culture across all departments. Eg staff clearly acknowledge and accept their responsibility to prevent and detect fraud and corruption; and
- the risk of fraud and corruption is specifically considered in the Council's risk management process.

Value for money

VALUE FOR MONEY Overall score 3	
Key findings and conclusions	
<p>Overall costs and unit costs for key services are generally low compared with other councils. A good balance is achieved between costs, service delivery, performance and outcomes. The planning service, which was weak, has been strengthened and is no longer a concern.</p> <p>Internal reviews are effective and lead to tangible improvements. Targets are used appropriately to drive improvement.</p> <p>Good procurement practices are followed. Joint procurement is well developed and is a growing area. Procurement and other spending decisions take good account of full long-term costs. Significant gains have been achieved in low value routine procurement.</p> <p>Baselines of cost information have been developed.</p> <p>External funding is sought where it fits into the strategic priorities.</p>	
Improvements needed to move to next level	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Monitor success of existing measures to improve control of the capital programme.</p> <p>Set 'achieving VFM' as an explicit personal target in the appraisal system for senior managers.</p> <p>Improve the degree of engagement by Scrutiny councillors with the detailed performance report information.</p> <p>Quantify the cost impacts arising specifically from the local context if cost effective to do so.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Improve further accessibility to Council buildings, and e-government service provision.</p> <p>Publicise to suppliers the Council's approach to procurement.</p>