

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**USE OF RESOURCES JUDGEMENT 2009**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 Each year every local authority is assessed on how well it manages its resources. This is an independent assessment made by the audit commission.
- 1.2 The outcome of the 2009 use of resources assessment, the first under new arrangements as part of CAA, is reported here. It shows that overall North Lincolnshire Council has achieved a score of 2 'meets minimum requirements- performs adequately' with some strands achieving level 3 'exceeds minimum requirements – performs well'.
- 1.3 The report provides a commentary on the basis for that judgement and the full auditor report is attached as an appendix.
- 1.4 The committee are invited to consider the judgement, the assurance that can be implied from its conclusions, and to agree and monitor the implementation of the recommendations made.

**2. BACKGROUND INFORMATION**

- 2.1 The Use of Resources assessment evaluates how well councils manage and use their resources. It is the first assessment under the Comprehensive Area Assessment (CAA) which is a statutory responsibility of the audit commission to report on the performance of local authorities.
- 2.2 Under the new criteria Use of Resources comprises of three themes that focus on :
  - sound and strategic financial management
  - strategic commissioning and good governance; and
  - the management of natural resources, assets and people.
- 2.3 Judgements have been made for each theme using the Audit Commission's scale:
  - 1 Below minimum requirements – inadequate performance
  - 2 Meets minimum requirements – performs adequately

- 3 Exceeds minimum requirements – performs well
- 4 Significantly exceeds minimum requirements – performs excellently.

### 3 OPTIONS FOR CONSIDERATION

3.1 Attached as an appendix is the report from the council’s auditors. The main findings are considered here. The report also makes several suggestions for improvement which are also highlighted in the Governance report elsewhere on this agenda.

3.2 Overall the council has achieved level 2 ‘performs adequately’ under the new criteria (for 2008 the assessment was level 3 ‘performs well’). The score is a composite overview of the three themes, which in turn are made up of one or more strands. The judgement on each strand is shown in the table below:

	Use of resources theme	Sub theme score	Overall scored judgement
1.1 1.2 1.3	<b>Managing finances</b> <ul style="list-style-type: none"> <li>• Financial Planning</li> <li>• Understanding costs</li> <li>• Financial Reporting</li> </ul>	3 2 2	2
2.1 2.2 2.3 2.4	<b>Governing the business</b> <ul style="list-style-type: none"> <li>• Commissioning and Procurement</li> <li>• Data Quality and the Use of information</li> <li>• Good Governance</li> <li>• Risk Management and Internal Control</li> </ul>	3 2 2 2	2
3.1 3.2	<b>Managing resources</b> <ul style="list-style-type: none"> <li>• Natural Resources</li> <li>• Asset Management</li> </ul>	2 3	2

3.3 Members should note that performance requirements are increasingly difficult to achieve year on year to ensure there is adequate challenge and continuous improvement; and new areas have been introduced for the first time; therefore arrangements in areas such as the use of natural resources is an area for development for the council.

3.4 The key findings are set out in the report and highlighted in the action plan. Overall the council is close to achieving performance at level 3 in several strands and implementation of the action plan should see this level achieved shortly. Every effort will be made to achieve this in 2010.

### 4. ANALYSIS OF OPTIONS

4.1 The Committee should consider the external auditor’s judgement, which is a positive one, and the assurance that can be implied from its conclusions. The Committee should seek clarification from the Audit Commission or council officers as necessary. In addition, to maintain or

improve its score in future years the council needs to address the issues raised by the auditors. An action plan has been developed with implementation started in 2009/10.

4.2 To take no action would invite an adverse use of resources judgement in future years.

## 5. **RESOURCE IMPLICATIONS**

5.1 There are no direct resource implications.

## 6. **OTHER IMPLICATIONS**

6.1 The use of resources judgement is part of the Comprehensive Area Assessment by which the Audit Commission fulfils its statutory duty under section 99 of the local Government Act 2003 to make an assessment, and report on the performance, of local authorities.

## 7. **OUTCOMES OF CONSULTATION**

7.1 Not required.

## 8. **RECOMMENDATIONS**

8.1 That the Committee consider the external audit judgement, the assurance that can be implied from its conclusions, and agree that its recommendations be implemented and monitored.

SERVICE DIRECTOR FINANCE

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Date: 21 September 2009

### **Background Papers used in the preparation of this report**

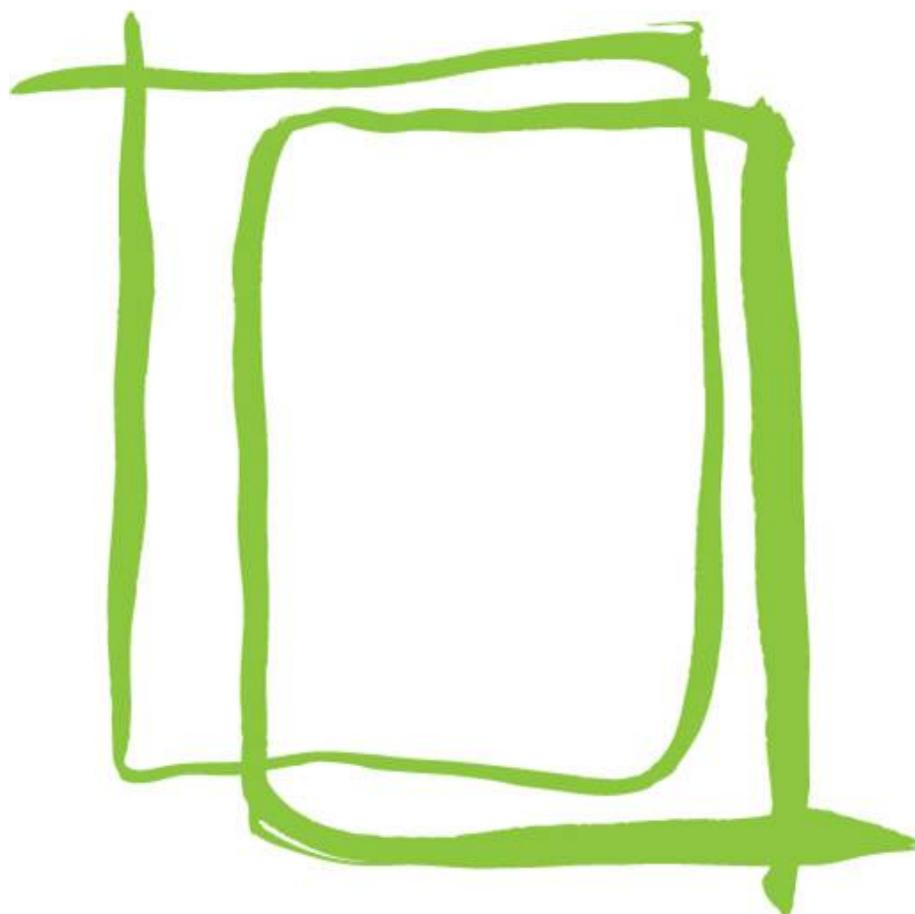
'Use of Resources, North Lincolnshire Council Audit 2008/09' attached as an appendix to this report

# Use of Resources

North Lincolnshire Council

Audit 2008-2009

September 2009



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## **Status of our reports**

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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Summary

**This report summarises our key findings from our assessment of how North Lincolnshire Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.**

- 1 Your improved arrangements are starting to have an impact on outcomes, for example shifting resources into priority areas such as investing in outdated primary school accommodation, the secondary school BSF project and services to help older people live at home.
- 2 There are several aspects, such as financial reporting where the Council has improved arrangements to deliver better outcomes. There are also instances of improvements being made which are too recent to have led to positive outcomes yet.
- 3 The key improvement areas for the Council are:
  - to implement an approach to evidence gathering that encompasses outcomes from key policy decisions and measures the impact across all KLOE themes;
  - address the shortfalls in efficiency targets;
  - fully integrate financial and performance reporting to further drive the improvement agenda;
  - ensure the Audit Committee receive information to enable them to provide robust scrutiny of data quality;
  - ensure controls across all data systems are documented and evaluated;
  - use the partnership toolkit to demonstrate the positive impact on outcomes from partnership working;
  - ensure that mechanisms are in place to gauge the level of confidence that stakeholders and local people have in the governance arrangements of partnerships, including the conduct of members and staff;
  - continue to develop the assurance systems to support the Audit Committee to improve overall effectiveness; and
  - encompass the carbon action plan and environmental policy into an overarching strategy to drive forward the reduction in natural resources.
- 4 Our detailed findings are shown in Appendix 1. The recommendations made are not an exhaustive list of improvement areas to achieve the next level; in developing improvement plans reference should also be made to the detailed KLOE's to ensure all criteria at a specific level is met taking into account the requirements at table 1 of this report.

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# Introduction

- 5 This report sets out my conclusions on how well North Lincolnshire Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people and give scored use of resources theme judgements.
- 6 In forming my scored theme judgements, I have followed the methodology set out in the [use of resources framework: overall approach and key lines of enquiry \(KLOE\) document](#) and the use of resources [auditor guidance](#). For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by North Lincolnshire Council to mitigate the risk and plan our work accordingly.
- 7 Please note that the theme and KLOE scores presented in this report are subject to the Commission completing its national quality assurance (NQA) process. Therefore, the scores are not final.

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## Use of resources framework

- 8 From 2008/09, the new use of resources assessment forms part of the [Comprehensive Area Assessment \(CAA\)](#) and comprises three themes that focus on:
  - sound and strategic financial management;
  - strategic commissioning and good governance; and
  - the management of natural resources, assets and people.
- 9 The scores for each theme are based on the scores reached by auditors on underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards.
- 10 The Commission specifies in its [annual work programme and fees document](#), which KLOE are assessed over the coming year.
- 11 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see Table 1. Level 1 represents a failure to meet the minimum requirements at level 2.

**Table 1 Levels of performance**

<b>Level 2</b> <b>Meets minimum requirements – performs adequately</b>	<b>Level 3</b> <b>Exceeds minimum requirements – performs well</b>	<b>Level 4</b> <b>Significantly exceeds minimum requirements – performs excellently</b>
<p>Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>Arrangements sufficient to address the KLOE demonstrating, for example: organisational leadership and commitment; partnership working; and appropriate capacity and skills informed by priorities with supporting action plans as appropriate.</p> <p>Arrangements that achieve minimum acceptable levels of performance.</p>	<p>Implemented effective arrangements that are:</p> <ul style="list-style-type: none"> <li>• forward looking and proactive in identifying and developing opportunities for improvement; and</li> <li>• include more sophisticated measuring and assessment techniques.</li> </ul> <p>Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working. Evidence of performing consistently above minimum acceptable levels and achieving value for money.</p>	<p>Demonstrating innovation or best practice.</p> <p>Demonstrating strong outcomes for the community including through partnership working. Evidence of performing well above minimum acceptable levels and achieving excellent value for money.</p>

Source: [use of resources framework: overall approach and KLOE document](#)

# Use of resources judgements

## Scored judgements

12 North Lincolnshire's use of resources theme scores are shown in Table 2.

**Table 2 Use of resources theme scores**

Use of resources theme	Sub-theme Score	Overall Scored judgement
<p><b>Managing finances</b></p> <p>How effectively does the organisation manage its finances to deliver value for money?</p> <ul style="list-style-type: none"> <li>Financial Planning</li> <li>Understanding costs</li> <li>Financial Reporting</li> </ul>	<p>3</p> <p>2</p> <p>2</p>	2
<p><b>Governing the business</b></p> <p>How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?</p> <ul style="list-style-type: none"> <li>Commissioning and Procurement</li> <li>Data Quality and the Use of information</li> <li>Good Governance</li> <li>Risk Management and Internal Control</li> </ul>	<p>3</p> <p>2</p> <p>2</p> <p>2</p>	2
<p><b>Managing resources</b></p> <p>How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?</p> <ul style="list-style-type: none"> <li>Natural Resources</li> <li>Asset Management</li> </ul>	<p>2</p> <p>3</p>	2

Scored judgements are subject to completion of the NQA process and are not final.

## Managing finances

13 Financial planning (KLOE1.1) is assessed as performing well. Understanding costs and achieving efficiencies (KLOE 1.2) and financial reporting (KLOE 1.3) are assessed as performing adequately.

## Use of resources judgements

### 14 We found:

- Financial planning: A clear embedded financial management culture, evidence of impact of consultation and a stable financial position with examples of spending priorities demonstrating good outcomes.
- Understanding costs: The Council is low cost and has a successful track record of achieving Gershon efficiency savings. However, efficiency targets were not achieved in 2008/09, and whilst arrangements have been strengthened to address challenging targets for the next 2 years it is too early to assess the impact. Work is on-going to fully embed the use of whole life costing in long term projects and plans.
- Financial Reporting: the quality of working papers supporting financial statements and the associated quality assurance arrangements are much improved on 2007/08 and the consultation process on the contents of the annual report has been acted upon to meet the needs of stakeholders. Whilst budget monitoring and reporting is accurate and timely, it does not yet fully integrate financial and performance information to drive the improvement agenda.

Recommendation	
<b>R1</b>	Review arrangements in place to identify efficiency gains and ensure plans are in place to meet future efficiency targets.
<b>R2</b>	Ensure whole life costing/option appraisal is an integral part the Council's planning processes.
<b>R3</b>	Review financial and performance reporting to ensure such reporting is fully integrated to further improve resource allocation and improve the VfM agenda.

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## Governing the business

**15** Commissioning and procurement (KLOE 2.1) is assessed as performing well. Data quality and use of information (KLOE 2.2), good governance (KLOE 2.3) and risk management and internal control (KLOE 2.4) is assessed as performing adequately.

### 16 We found:

- Commissioning and procurement: There is a good level of engagement with local communities when shaping services for users, a focus on improving the experience of services to customers and Value for Money is challenged delivering some significant procurement savings.

- **Data quality and the use of information:** There is evidence of service improvement following intervention of the performance management system. However there is scope to improve Data quality arrangements, we found some data errors during our housing benefit testing and the need to improve the arrangements for documenting and evaluating the controls underpinning individual performance indicators. Improved reporting to the Audit Committee would allow further scrutiny/challenge of performance information by members.
- **Good Governance:** All the relevant codes of conduct to clarifying roles and responsibilities of Members and Officers are in place although evidence through the audit committee shows that members are not driving the challenge agenda. There is a training programme for members which is well attended, personal development plans and arrangements to evaluate the impact of training and development are area currently being strengthened. Further improvements would be to assess the level of awareness of governance arrangements amongst staff and to promote your governance arrangements in the wider community.
- **Risk Management and Internal control:** We found evidence of an established risk management strategy with operational and strategic risk registers in place and clear responsibilities both corporately and operationally. However further work is needed to ensure full compliance with the risk reporting timetable and greater focus on risks of non achievement of service plan objectives.. Internal control arrangements have improved during 2008/09 although there is still further scope in areas such as Internal Audit reporting and in follow up to previous recommendations.

<b>Recommendation</b>	
<b>R4</b>	Ensure the 3 year VFM Programme of targeted VFM improvement projects is closely aligned to the overall commissioning/procurement strategy within the VFM strategy.
<b>R5</b>	Ensure that there is a clear focus on outcomes in performance reporting and project and programme management.
<b>R6</b>	Ensure controls across all data systems are documented and evaluated with the programme of data checks focussing on key risk areas to ensure this is in place.
<b>R7</b>	Provide the Audit Committee with more information on the internal review programme on data quality to enable them to provide them with assurance that data quality arrangements are in place and allow robust scrutiny of data quality.
<b>R8</b>	Use the partnership toolkit to demonstrate the positive impact on outcomes from partnership working including VFM outcomes.
<b>R9</b>	Be more explicit promoting the council' governance arrangements with members of the public and stakeholders and consider greater publication of senior officer and member expenses.
<b>R10</b>	Improve risk reporting to the Audit Committee by ensuring there is compliance with the reporting timetable and ensure risk registers focus on the risks relating to the achievement of service planning objectives.

## Use of resources judgements

Recommendation	
<b>R11</b>	Develop more quantifiable measures on the amount of prevention and detection of fraud and corruption work in the internal audit programme to provide the Audit Committee with more assurance on the work carried out.
<b>R12</b>	Implement a more systematic follow up of Internal Audit recommendations and ensure key recommendations not implemented are reported to the Audit Committee to ensure action is taken.
<b>R13</b>	Adopt standardised wording on the level of assurance given for each Internal Audit assignment to inform the assurance framework.

## Managing resources

- 17** Use of natural resources (KLOE 3.1) is assessed as performing adequately and strategic asset management (KLOE 3.2) as performing well.
- 18** The Council is reducing its use of natural resources. It has developed a carbon action plan and an environmental policy to direct this work. This work would be further strengthened by developing an overall strategy document which encompasses all aspects of natural resources including: renewable energy, water and the natural environment. Such a strategy would provide a single integrated approach to the use of all natural resources. It would further inform future direction and also increase knowledge across the Council and its partners in North Lincolnshire.
- 19** A range of initiatives are in place to gain commitment and ownership of the council's approach involving both staff and partners. It has started to establish a baseline of its natural resources and is beginning to use this information to reduce its impact on the environment. Work is in progress at the Council to ensure that the environmental impact of its suppliers of goods and services is taken into account in commissioning and procurement decisions. There is evidence of the Council working with its suppliers to reduce their overall environmental impact.
- 20** We found good management of the asset base to provide value for money and examples of asset rationalisation, and transfers to the voluntary and charity sector improving VFM and outcomes to support the conclusion of performing well.

Recommendation	
<b>R14</b>	Develop an over-arching strategy to drive forward the reduction in the use of natural resources. All aspects of the strategy should be supported by action/delivery plans and ensure the role of partners is clear.
<b>R15</b>	Ensure that clear outcomes are determined at the start of projects which are set out in the Carbon Action plan and the environmental strategy. Also ensure that performance against these outcomes are measured and reported.

### Recommendation

**R16** Ensure that a full suite of reliable information is available to monitor performance and manage progress in achieving the strategy to reduce the Council's use of natural resources.

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### Detailed findings

**21** The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

# Use of resources 2009/10

22 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In my letter of 18 March 2009 about the audit fee for 2009/10 in table 3 below.

**Table 3      Audit fee**

<b>Audit area</b>	<b>Planned fee 2009/10</b>
Audit including WGA (Whole of Government Accounts)	129,416
Use of Resources/ VFM Conclusion [including risk-based audit work and DQ]	96,318
<b>Total Audit Fee</b>	<b>225,734</b>
Inspection fee	-
Managing Performance	16,630
<b>Total fee</b>	<b>242,364</b>

23 Having completed the 2008/09 work, I do not consider there to be any additional risks I need to take account in the 2009/10 work programme. Note that KLOE 3.1 - Natural resources will not be assessed for single tier and county councils in 2009/10 but we will be reviewing KLOE 3.3 Workforce Planning.

# Appendix 1 – Use of resources key findings and conclusions

1 The following tables summarise the key findings and conclusions for each of the three use of resources themes.

**Table 4** Theme 1 - managing finances

<b>Theme 1 score</b>	<b>2</b>
KLOE 1.1 (financial planning) score	3
Key findings and conclusions	
<p>The Council is performing well with a clear embedded financial management culture, evidence of the impact of consultation and a stable financial position. Resources have been shifted to priority areas and improved outcomes are starting to materialise. The Council recognises that major resource challenges will be faced in the future and are working on addressing this.</p> <p>The processes developing the financial strategy are integrated with other corporate strategies through the Strategic Review Task Group which plans against objectives and strategies. Work is in hand to ensure that other over-arching strategies (eg HR, IT) make more explicit reference to the resources identified in the medium term financial plan. Budget decisions are made on a timely basis with good officer/member relationships being maintained over difficult decisions. The Council has an agreed medium term financial plan and has maintained sufficient reserves for a number of years. Although the council responded quickly to the economic downturn in 2008, there are expected losses of around £1m arising from Icelandic bank investments. The biggest immediate impact of the downturn has been on the capital programme due to likely reduction in capital receipts resulting in a major re-prioritisation of the capital programme.</p> <p>The Council can demonstrate the impact of consultation processes on budget setting and carried out annual consultation with businesses and households, this has resulted in investment in a number of areas such as supporting people to live at home and dis-investment in lowest priority areas and management of the financial position with strong budget arrangements ensuring budget variances are small.</p>	

## Appendix 1 – Use of resources key findings and conclusions

KLOE 1.2 (understanding costs and achieving efficiencies) score	2
Key findings and conclusions	
<p>The Council has a good understanding of costs operationally in departments supported by finance staff as part of the budget process evidenced by strong budgetary control. VFM profiling of service areas is now an integral part of service planning with progress monitored through Quarterly Performance Reviews and the VFM Board. Some performance improvement has resulted and some cost reductions have been achieved.</p> <p>There is some evidence that whole life costing is part of the Council's internal business case process for evaluating capital bids and for major procurement decisions but the Council recognises this as a development area. The Strategic Review Task Group comprising of officers and members is an integral part of the budget setting process ensuring budgets are planned in accordance with strategic objectives and drives service developments, efficiencies and service reductions. This group also ensures challenge of efficiency plans.</p> <p>Historically you have a good track record of achieving efficiencies up to 2007/08, although in 2008/09 performance against the new national indicator for efficiencies shows the Council to be in the lowest quartile achieving only 77.8% of its target. Going forward, the Council has a gap of £6.3m in efficiency targets up to 2010/11. There are a number of workstreams being developed looking at radical changes to service delivery to address the gap but it is too early to assess the impact of this work.</p>	
KLOE 1.3 (financial reporting) score	2
Key findings and conclusions	
<p>The Council has systems in place to ensure there is a good understanding of the financial position with well established budget monitoring arrangements, there is scope to improve this by fully integrating financial and performance reporting to members to drive service improvement and direct resources.</p> <p>The 2008/09 financial statements were drafted and published on time, the quality of supporting working papers has improved and there is better evidence of internal quality assurance. There is also evidence that the Council is already considering the impact of SORP and IFRS changes.</p> <p>The Council has considered the views of the local community in its annual reporting and has made changes to the format of financial information based on feedback.</p>	

**Table 5**

**Table 6 Theme 2 - governing the business**

<b>Theme 2 score</b>	<b>2</b>
KLOE 2.1 (commissioning and procurement) score	3
Key findings and conclusions	
<p>The Council can demonstrate:</p> <ul style="list-style-type: none"> <li>• that service users and the wider community are involved at each stage of the commissioning cycle with some examples where consultation has clearly shaped future service delivery. There is good consultation with service users to gauge satisfaction with services and feedback is obtained from partners and the third sector; this leads to a focus on improving services to the customer;</li> <li>• significant benefits from a range of procurement options, this includes strategic procurement with a local authority neighbour generating £4.1m of savings since 2003/04 focussing on high spending budgets and improved VFM; and</li> <li>• a good understanding of the network of suppliers and actively manage relationships with them to ensure awareness of needs and improve responsiveness.</li> </ul>	
KLOE 2.2 (data quality and use of information) score	2
Key findings and conclusions	
<p>The data quality policy introduced in 2008/09 formalises the six key elements of data quality and adds clarity to responsibilities, this is backed up by a commitment to data quality from senior management. There is a system of data checks with some risk based elements, however, controls across all data systems have not been documented or evaluated. Our spot check testing of housing benefit data identified errors. Prompt action is however, taken by senior management if problems arise.</p> <p>The Council needs to start reporting to the Audit Committee the results of the performance team's reviews on data quality. to provide assurance to the committee on the effectiveness of arrangements.</p> <p>The council works closely with partners to improve the quality of shared data with a focus on producing data that is reliable and fit for purpose, partnership data is shared via the "performing together gateway". Internal audit have undertaken work on partnership data leading to improved arrangements. There have been improvements in the format and presentation of information to decision makers over the past few years to ensure adequacy of information. The traffic light system for performance reporting is easy to understand and ensures action is taken when performance declines. The Quality Performance Review (QPR) process ensures performance management is integrated with resource management so resources follow priorities, although it is recognised that further integration of finance and performance reporting would enhance this.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Theme 2 score</b>	<b>2</b>
<p>Poorly performing areas are subject to Performance Improvement Panels (PIPs) and if necessary, improvement notices to ensure performance improves. In most areas, performance is at low cost and average to low performance, there is some evidence of improved performance in key service areas.</p> <p>There are arrangements to monitor the achievement of efficiency targets although the council failed to meet these in 2008/09. Setting out clearly the risk of non-achievement of targets both financial and operational would improve reporting.</p>	
KLOE 2.3 (good governance) score	2
<p><b>Key findings and conclusions</b></p> <p>There is clarity on roles and responsibilities of officers and members set out in the constitution. Member Officer relationships are good with evidence of some challenging decisions being made whilst maintaining relationships. However, evidence through the Audit Committee shows that members are not driving the scrutiny and challenge agenda.</p> <p>There is an open and forward looking culture with a clear focus on local communities set out in the Sustainable Communities Strategy. The Joint Strategic Needs Assessment with the Primary Care Trust only covers Adult Services although this is being extended to include Children's needs which are currently contained in other key documents.</p> <p>Whilst there is evidence of usage of registers of interest and gifts and hospitality, the Council cannot, however, demonstrate there is a high level of awareness and confidence in ethical arrangements and whistleblowing arrangements amongst staff, members and the wider community. There has been good progress in implementing a review of partnership governance arrangements using a toolkit during 2008/09. It is too early to fully assess the impact on outcomes from this work such as the impact on VfM.</p>	
KLOE 2.4 (risk management and internal control) score	2
<p><b>Key findings and conclusions</b></p> <p>We found evidence of an established risk management strategy with operational and strategic risk registers in place and clear responsibilities both corporately and operationally.</p> <p>Strategic risks are reported to the Audit Committee although the reporting timetable was not in place all year and hence the reporting of risks for some services was delayed. Registers focus on resilience risks and not the explicit specific risk of failure to achieve key targets or objectives.</p> <p>The strategy for managing fraud and corruption is defined through the internal audit programme and housing benefit fraud investigation team. The development of more quantifiable measures on the amount of prevention and detection work in the audit programme would provide the Audit Committee with more assurance on the work carried out.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Theme 2 score</b>	<b>2</b>
<p>Internal control arrangements have improved during 2008/09 although there is still further scope for improvement. Good progress has been made on addressing weaknesses identified in 2007/08. The level of compliance with the systems of controls could be improved, an analysis of internal audit recommendations made showed a number of control failures when tested in 2008/09 on the 10 main financial systems. Overall only 65 per cent of recommendations were implemented from the 2007/08 audits when reviewed in 2008/09.</p> <p>The council has an effective internal audit service when measured against the CIPFA Internal Audit standards. There are a number of improvement areas such as ensuring a higher level of audits completed in 2008/09. Additionally adopting standardised wording on the level of assurance given for each audit assignment in the overall opinion would provide more positive assurance to members of the Audit Committee.</p> <p>The Audit Committee delivers the core functions and the newly introduced assertion map will provide members with the assurances and act as a basis to improve challenge.</p>	

**Table 7      Theme 3 - managing resources**

<b>Theme score</b>	<b>2</b>
KLOE 3.1 (use of natural resources) [score / not applicable to district councils / fire / police in 2008/09]	2
Key findings and conclusions	
<p>Based on the carbon action plan and environmental policy, the Council is reducing its use of natural resources. This would be further strengthened by developing an overall strategy document encompassing all aspects of natural resources including renewable energy, water and the natural environment to further inform future direction and increase knowledge across the Council and partners.</p> <p>A range of initiatives are in place to gain commitment and ownership of the council's approach involving both staff and partners. It has started to establish a baseline of its natural resources and is beginning to use this information to reduce its impact on the environment.</p> <p>Work to ensure that the environmental impact of the Council's suppliers of goods and services is taken into account in commissioning and procurement decisions and there is evidence of working with suppliers to reduce the environmental impact.</p>	

## Appendix 1 – Use of resources key findings and conclusions

KLOE 3.2 (strategic asset management)	3
Key findings and conclusions	
<p>A strategic approach to asset management demonstrates value for money in managing the asset base. Service plans link to asset management plans and the Council is working towards a vision of an area based delivery of services by concentrating services in key centres.</p> <p>Benchmarking information shows that the council has a higher proportion of better maintained properties and lower maintenance costs compared to other authorities.</p> <p>There is evidence of building rationalisation and improved access to services as well as proactively working with the voluntary sector and partners in managing and delivering joined up services integral to the area based strategy; this also ensures value for money of community based assets.</p>	

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Review arrangements in place to identify efficiency gains and ensure plans are in place to meet future efficiency targets.	3				
	Ensure whole life costing/option appraisal is an integral part the Council's planning processes.	2				
	Review financial and performance reporting to ensure such reporting is fully integrated to further improve resource allocation and improve the VFM agenda.	3				
	Ensure the 3 year VFM Programme of targeted VFM improvement projects is closely aligned to the overall commissioning/procurement strategy within the VFM strategy.	2				
	Ensure that there is a clear focus on outcomes in performance reporting and project and programme management.	3				
	Ensure controls across all data systems are documented and evaluated with the programme of data checks focussing on key risk areas to ensure this is in place.	2				

## Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Provide the Audit Committee with more information on the internal review programme on data quality to enable them to provide them with assurance that data quality arrangements are in place and allow robust scrutiny of data quality.	2				
	Use the partnership toolkit to demonstrate the positive impact on outcomes from partnership working including VFM outcomes.	2				
	Be more explicit promoting the council' governance arrangements with members of the public and stakeholders and consider greater publication of senior officer and member expenses.	2				
	Improve risk reporting to the Audit Committee by ensuring there is compliance with the reporting timetable and ensure risk registers focus on the risks relating to the achievement of service planning objectives.	2				
	Develop more quantifiable measures on the amount of prevention and detection of fraud and corruption work in the internal audit programme to provide the Audit Committee with more assurance on the work carried out.	3				
	Implement a more systematic follow up of Internal Audit recommendations and ensure key recommendations not implemented are reported to the Audit Committee to ensure action is taken.	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Adopt standardised wording on the level of assurance given for each Internal Audit assignment to inform the assurance framework.	3				
	Develop an over-arching strategy to drive forward the reduction in the use of natural resources. All aspects of the strategy should be supported by action/delivery plans and ensure the role of partners is clear.	3				
	Ensure that clear outcomes are determined at the start of projects which are set out in the Carbon Action plan and the environmental strategy. Also ensure that performance against these outcomes are measured and reported.	3				
	Ensure that a full suite of reliable information is available to monitor performance and manage progress in achieving the strategy to reduce the Council's use of natural resources.	3				

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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# Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Review arrangements in place to identify efficiency gains and ensure plans are in place to meet future efficiency targets.	3	Mike Wedgewood (lead) / Peter Fijalkowski (support)	Yes	Will review budget & efficiency monitoring processes, & training. These mechanisms will engage the whole organisation to pursue targets.	31/03/10
	Ensure whole life costing/option appraisal is an integral part the Council's planning processes.	2	Peter Fijalkowski (lead)/ Jason Whaler/ Chris Ellerby (support)	Yes	Developed in places. Will aim to establish a standard method for comprehensive use.	31/03/10
	Review financial and performance reporting to ensure such reporting is fully integrated to further improve resource allocation and improve the VfM agenda.	3	Peter Fijalkowski (lead)/ Caroline Barkley (support)	Yes	Already part of budget process. Will aim to ensure this is routine for the performance management of key priorities and variables.	31/03/10
	Ensure the 3 year VFM Programme of targeted VFM improvement projects is closely aligned to the overall	2	Jason Whaler Strategic Procurement and VFM Manager	Yes	To be implemented through the VFM Strategy which will be approved shortly.	31/12/09

## Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	commissioning/procurement strategy within the VFM strategy.					
	Ensure that there is a clear focus on outcomes in performance reporting and project and programme management.	3	Caroline Barkley Head of Strategy Development	Yes	The council already uses an outcomes framework for reporting in its annual report. Its quarterly reports are done against council ambitions but consideration can also be given to using the outcomes framework for this.  A review of project management arrangements needs to be undertaken and consideration given to integrating meiltool into these arrangements	31/12/09  31/03/10
	Ensure controls across all data systems are documented and evaluated with the programme of data checks focussing on key risk areas to ensure this is in place.	2	Caroline Barkley Head of Strategy Development	Yes	The council's performance management arrangements require controls to be documented and a risk analysis is used to identify areas for data checks. This process will be further reviewed.	31/12/09
	Provide the Audit Committee with more information on the internal review programme on data quality to enable them to provide them	2	Caroline Barkley Head of Strategy Development	Yes	The Audit Committee can be provided with the data quality risk analysis and an report on findings is being included in the	31/01/10

## Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	with assurance that data quality arrangements are in place and allow robust scrutiny of data quality.				annual data quality report.	
	Use the partnership toolkit to demonstrate the positive impact on outcomes from partnership working including VFM outcomes.	2	Caroline Barkley Head of Strategy Development	Yes	An update of the toolkit is in progress and will be emphasised as part of the review	31/12/09
	Be more explicit promoting the council' governance arrangements with members of the public and stakeholders and consider greater publication of senior officer and member expenses.	2	Mike Wood Service Director Legal and Democratic Services	Yes	Examples of best practice used elsewhere will be investigated and adapted for use within the council as appropriate	31/12/09
	Improve risk reporting to the Audit Committee by ensuring there is compliance with the reporting timetable and ensure risk registers focus on the risks relating to the achievement of service planning objectives.	2	Carol Andrews Audit and Risk Manager	Yes	Support to achieve reporting deadlines will be sought through SRMG. Expertise will be sought through the council's risk management advisors and Audit Commission to comment on the current risk registers. Appropriate guidance will be updated and training will be provided to service managers.	31/03/10
	Develop more quantifiable measures on the amount of	3	Carol Andrews	Yes	The outcome of NFI work will be reported to the Audit Committee	31/12/09

## Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	prevention and detection of fraud and corruption work in the internal audit programme to provide the Audit Committee with more assurance on the work carried out.		Audit and Risk Manager		along with more information on proactive and reactive counter fraud work carried out through the audit plan	
	Implement a more systematic follow up of Internal Audit recommendations and ensure key recommendations not implemented are reported to the Audit Committee to ensure action is taken.	3	Carol Andrews Audit and Risk Manager	Yes	All recommendations are followed up however more information will be provided to the Committee; especially instances of failure to implement key/ high risk recommendations	31/12/09
	Adopt standardised wording on the level of assurance given for each Internal Audit assignment to inform the assurance framework.	3	Carol Andrews Audit and Risk Manager	Yes	The report format has been revised to provide greater consistency and clarity on the level of assurance reported through each audit review.	31/12/09
	Develop an over-arching strategy to drive forward the reduction in the use of natural resources. All aspects of the strategy should be supported by action/delivery plans and ensure the role of partners is clear.	3	Tim Allen Environment Team Manager	Yes	Production of an overarching strategy has been built into the action plan and work programmes for taking forward work on managing natural resources.	31/03/11
	Ensure that clear outcomes are determined at the start of projects	3	Tim Allen	Yes	To be included in the carbon management plan	31/3/10

## Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	which are set out in the Carbon Action plan and the environmental strategy. Also ensure that performance against these outcomes are measured and reported.		Environment Team Manager		management plan	
	Ensure that a full suite of reliable information is available to monitor performance and manage progress in achieving the strategy to reduce the Council's use of natural resources.	3	Tim Allen Environment Team Manager	Yes	Collection of environmental data is now a priority.	31/3/10

