

# **Use of Resources Auditor Judgements 2007**

**West Wiltshire District Council**

**Audit 2007/08**

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:

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- 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; and
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## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources 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 completed at West Wiltshire District Council and follows the assessment undertaken in February 2007. The timing of the work is in accordance with Audit Commission requirements and this third assessment now aligns with your financial year. It has been a relatively short exercise focussing on issues around the financial year end including arrangements for preparing the annual accounts, year end reconciliations, budget outturn and any areas where performance has changed. We have taken account, where appropriate of findings from the previous exercise. 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 Our assessment is based on the key lines of enquiry for 2007. These amended key lines of enquiry include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. Our review has also focussed on these additional requirements.
- 4 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.

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**Table 1      Standard scale used for assessments and inspections**

<b>1</b>	<b>Below minimum requirements – inadequate performance</b>
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 5 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 web site.
- 6 The five theme scores for West Wiltshire District Council are outlined below. These scores have been subject to confirmation by our regional and national quality control processes. This seeks to ensure consistency across all auditors.

- 7 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>Score 2005</b>
<b>Financial reporting</b>	<b>3</b>	<b>3</b>	<b>3</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3	3
1.2 The Council promotes external accountability.	3	3	2
<b>Financial management</b>	<b>3</b>	<b>3</b>	<b>2</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	3
2.2 The Council manages performance against budgets.	3	3	3
2.3 The Council manages its asset base.	2	2	1
<b>Financial standing</b>	<b>3</b>	<b>2</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	3	2	2
<b>Internal control</b>	<b>3</b>	<b>3</b>	<b>2</b>
4.1 The Council manages its significant business risks.	3	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3	1
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2	2
<b>Value for money</b>	<b>3</b>	<b>3</b>	<b>2</b>
5.1 The Council currently achieves good value for money.	3	3	2
5.2 The Council manages and improves value for money.	3	3	3

## Theme summaries

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

### Financial reporting

**Table 3**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council's annual statement of accounts was approved by the Audit Committee in June. There were two errors in the accounts this year which were more than trifling, relating to the treatment of the costs of refurbishment of leisure centres and the treatment of small business rate relief. However there were significant changes to the accounting regulations affecting the presentation of the 2006/07 accounts and the Council's performance was still considered as performing well.</p> <p>The Council continued to publicise its accounts and other relevant financial information.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>The Council should seek to ensure that next year the accounts presented for audit contain only errors that are clearly trivial and that the accounts are supported in all areas by appropriate evidence and working papers.</p> <p>Officers should continue to have regard to changes in the accounting Statement of Recommended Practice.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>The Council should work with partners and consider ways to promote further its external financial reporting.</p>

## Financial management

**Table 4**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has continued to perform well in the way the budget and medium term financial strategy is set and the way that performance against budgets is managed.</p> <p>The Council has an approved Asset Management Plan which designates the property lead. Maintenance requirements have been built into the budget. A Member has been allocated portfolio responsibility for asset management.</p>	
<b>Improvement opportunities</b>	
<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>Further develop the way the medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council should continue to review how it monitors the financial performance of partners.</p> <p>The Council should further develop its budget monitoring by explicitly linking it to operational activity indicators that are lead indicators of spend.</p> <p>The Executive should review its effectiveness and the leadership it provides with regard to financial management. For example by determining what it wishes to achieve and setting criteria to measure its impact.</p> <p>The Council should consider further how it consults with, advises and trains users so that it develops and provides the financial information systems to meet their needs.</p>

<b>Improvement opportunities</b>	
	The Council should ensure its training programme for Members and non-finance specialists is maintained.
KLOE 2.3 The Council manages its asset base.	The Council has a policy for whole life costing when making investment and disposal decisions, but at the time of our audit there was only one small example of this. The Council needs to ensure this process is fully embedded.

## Financial standing

**Table 5**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council has continued to maintain its overall spending within its budget. In 2006/07 the outturn revenue spend was 1.5 per cent below the base budget.	
<b>Improvement opportunities</b>	
KLOE 3.1 The Council manages its spending within the available resources.	<p>Continue to develop arrangements to evidence that the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income is available and regularly evaluated.</p> <p>Consider the need to further develop targets for significant categories of income and key financial health indicators.</p> <p>Continue to develop the approach to the way risks are assessed in determining the appropriate level of balances and the opportunity cost of holding reserves and balances.</p>

## Internal control

**Table 6**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council continues to make progress with risk management and has clarified that Member responsibility rests with the Audit Committee.</p> <p>The Audit Committee is now responsible for reviewing and approving the statement on internal control (SIC) and is discharging this function, the SIC as approved in June 2007. The Council has complied with the additional requirements in the 2007 KLOE, its business continuity plan was approved in the June 2006 and up-dated most recently in June 2007. Our audit work on the 2006/07 accounts confirmed that accounting controls continued to operate.</p> <p>The Council has maintained its arrangements for ensuring probity and propriety in the conduct of its business.</p>	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant business risks.	<p>Further develop and embed risk management in corporate business processes, such as in its performance management arrangements.</p> <p>Seek to consider positive risks (opportunities) as well as negative risks (threats).</p> <p>Following the election in May 2007 ensure the new Members of the Audit Committee receive training in risk management and internal control issues as necessary.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>Further expand the work of the audit committee in its review of controls and governance arrangements for example with regard to the work of partners. Continue to develop corporate processes for preparing the SIC and develop the assurance framework in Council business processes.</p>
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.	<p>Ensure that the counter fraud and corruption strategy is communicated throughout the Council and embed arrangements for notifying the whistle blowing protocol to contractors.</p> <p>The Council needs to undertake an assessment of standards of conduct, including how effectively Members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate.</p>

## Value for money

**Table 7**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has improved further its ability to reduce costs whilst maintaining service performance in comparison with others. Although overall satisfaction with the Council has reduced, spending on services remains low. Housing services remain high cost though at £12.06 per head. Total expenditure on services per head has improved and the Council is now the lowest compared to its nearest neighbours. (The Council was 2nd lowest in 2004/05).</p> <p>The Council continues to have robust arrangements for managing costs and performance. There is a clear process of service review where costs or performance is not satisfactory and action is taken to improve both. The Council has a tradition of buying in services and using others to deliver services, either individually or with others. More can be done to improve performance when compared to other districts. Overall, 53 per cent of PIs used for DOT have improved but this is a minimum of 7.4 per cent below the average for all districts in England.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The Council is delivering low cost services and 53 per cent of their PIs (as measured from the 18 January 2007 AC DOT PI pack) are improving but this is a minimum 7.4 per cent below the average for all district councils in England. The Council needs to improve corporate and service performance in areas where it compares unfavourably with others as measured by BVPIs.</p>

<b>Improvement opportunities</b>	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Maintain the good overall focus on low cost services but extend the 60/40 approach (wherein the Council seeks to get 60 per cent of its PIs above the average), to other PIs and review PI targets set to ensure that they are more challenging in terms of value for money. In this way the percentage of PIs improving compared to other district councils will improve and the gap between WWDC and the average for all other districts will narrow</p> <p>Maintain the involvement of Members in challenging value for money, particularly in terms of community outcomes and extend the performance workshops beyond service managers to the level of front line supervisors.</p>

## Conclusion

- 9 The Council continues to perform well. To maintain this level of performance the Council needs to have regard to developments in the use of resources key lines of enquiry, ensure it keeps pace with developments in the accounting SORP and maintain financial and performance controls.

## Use of resources 2008

- 10 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.
- 11 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.
- 12 The key lines of enquiry 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.