

Use of Resources

December 2006



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**Stockton-on-Tees Borough Council**

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## Introduction

- 1 The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. 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.
- 2 This is the second year of carrying out the assessment and our work has focused on building on our previous year's work and updating it for any changes and improvements to the Council's arrangements.
- 3 Judgements will be made for each theme on the following scale which has been standardised by the Audit Commission across inspection and performance assessment frameworks.

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

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

The overall score for Use of Resources assessment will be reported to the Council by the Audit Commission on 1 December 2006.

- 4 In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils, 2006 assessment. In particular, in order to support scores of 3 and above, we need to consider whether relevant arrangements are 'embedded' that is, they have been operating consistently with clear outputs and having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the descriptors/criteria, councils can demonstrate innovation or best practice that can be shared with other authorities. The descriptors/criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.
- 5 In relation to future assessments, as outlined in the CPA framework documents for 2006 for single tier and county councils, the status of a number of criteria will change to 'must have status'. For information, these criteria have been summarised at Appendix 1. In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take these criteria into consideration.

- 6** The five theme scores for Stockton-on-Tees Borough Council are outlined overleaf. The Council's overall score is 4 – 'performing strongly'. 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**

Key lines of enquiry (KLOEs)	Score 2006	Score 2005
<b>Financial reporting</b>	<b>4</b>	<b>3</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	4	3
1.2 The Council promotes external accountability.	3	2
<b>Financial management</b>	<b>4</b>	<b>4</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	4
2.2 The Council manages performance against budgets.	4	4
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>	<b>3</b>	<b>3</b>
3.1 The Council manages its spending within the available resources.	3	3
<b>Internal control</b>	<b>3</b>	<b>3</b>
4.1 The Council manages its significant business risks.	3	3
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.	3	3
<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	3

## Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in Table 3.

**Table 3 Summary of findings and conclusions by theme**

<h3>Financial reporting</h3> <p><b>Theme score 4</b></p>	
<p><b>Key findings and conclusions</b></p> <p>Accounts, produced well within deadlines, were presented fairly and only contained a small number of non-trivial errors. The accounts were subject to robust member scrutiny and an unqualified opinion was issued. Accuracy, openness and accountability are areas where the Council has been strengthening its arrangements in recent years, and the Council is now performing well on financial reporting. Specific improvements since the 2005 assessment include:</p> <ul style="list-style-type: none"> <li>• exemplary electronic working papers; and</li> <li>• stakeholder consultation on the format of summary accounts.</li> </ul>	
<p><b>Improvement opportunities</b></p>	
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Although the Council does not wish to publish a separate Annual Report it should consider whether the summary accounts format it has used for 2005/06 accounts could be produced in time for inclusion in the BVPP/Corporate Plan. In addition the Council could be clearer about what alternative fonts and languages the accounts are available in to meet the needs of the diverse community.</p>

<h2 style="margin: 0;">Financial management</h2> <p style="margin: 0;"><b>Theme score 4</b></p>	
<p style="margin: 0;"><b>Key findings and conclusions</b></p>	
<p style="margin: 0;">The Council has taken effective action over the past two years to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. Performance is actively managed against budgets and the Council manages its asset base.</p>	
<p style="margin: 0;"><b>Improvement opportunities</b></p>	
<p style="margin: 0;">KLOE 2.3 The Council manages its asset base.</p>	<p style="margin: 0;">The Council should ensure that the actions agreed by the Capital Strategy Group are implemented to improve the management of the capital programme.</p>



## Financial standing

**Theme score 3**

### Key findings and conclusions

The Council consistently remains within budget and has a policy for reserves and balances based on risk. This is reported to members quarterly and is scrutinised by Audit Committee. Debt recovery has challenging targets which are being achieved and where targets for balances are exceeded they are reviewed against strategic future risk and service pressures.

### Improvement opportunities

KLOE 3.1 The Council manages its spending within the available resources.

Consider self assessment based on CIPFA's financial management model and review notable practice from other authorities to identify improvement opportunities.

<b>Internal control</b>	
<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The authority continues to demonstrate a strong risk management culture. The Council has a strong framework for internal control and has put in place and reports on an effective control environment. There is a comprehensive map of the environment supporting the SIC which is supported by a database of information.	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant business risks.	The Council needs to ensure consistency in how service groups approach risk management. In addition continued challenge should ensure that the risk identification process does not become hijacked as a route for additional resources.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Internal Audit have uncovered a number of breaches in internal control particularly in CESC and Planning service groupings. These arose through non-adherence to existing controls rather than gaps in the control environment. The Council has learned lessons and is strengthening the framework as a result.
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.	As above. The Council needs to demonstrate that its control environment is embedded more strongly, particularly in schools.

## Value for money

Theme score 3

### Key findings and conclusions

The Council is generally delivering good quality services above minimum standards, demonstrated by PIs and outcomes, for mid range cost and investing effectively in most priority areas. It is continuing to improve in more areas:

- significantly improving in both services and outcomes for children and young people;
- crime figures are reducing; and
- regeneration is improving employment prospects.

As a result a recent satisfaction survey shows increased community satisfaction and confidence for further improvement.

There is a commitment and processes in place to deliver efficiency savings and focus on priority areas and corporate efficiency targets are being exceeded. The council works well with partners and maximises resources through external and partnership funding, with a number of innovative proposals for back room service delivery. The Council is aware of areas requiring improvement with action plans in place or reviews programmed for improvement and further efficiency savings. Improved procurement arrangements are producing savings and further improvements are being pursued. These improvements are making services more efficient in areas where arrangements have needed addressing to bring them up to expected current standards.

### Improvement opportunities

KLOE 5.2 The Council manages and improves value for money.

Continue with and further develop the innovative response to the recent White Paper to further improve value for money.

Address those services which continue to perform in the lower quartiles in comparison to others.

## Appendix 1 – Criteria which will gain 'must have' status for the next assessment

### New criteria in bold type ('must have') for 2006/07 assessment

- 1 This table summarises criteria that are currently included in the KLOE but are not in bold type and do not have 'must have' status, but which will have such status for the 2006/07 assessment.

KLOE	Summary of criteria
<b>Financial reporting</b>	
1.1	Requests for information from audit are dealt with promptly.
1.2	Summary financial information that meets the needs of a range of stakeholders is published and their views are considered in deciding whether to publish an annual report.
<b>Financial management</b>	
2.1	There are arrangements for monitoring cash flow.
2.1	The medium-term financial strategy is communicated to staff and stakeholders.
2.2	Profiled financial monitoring reports are produced within ten days of the month-end.
2.2	The financial performance of significant partnerships is reviewed.
2.2	There is a training programme in place for members and staff on financial issues.
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed.
<b>Financial standing</b>	
3.1	Collection and recovery of material categories of income is monitored.

<b>KLOE</b>	<b>Summary of criteria</b>
<b>Internal control</b>	
4.1	Appropriate staff are trained in risk management.
4.2	Criterion in relation to effective arrangements for internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.
4.2	Arrangements for carrying out the functions of an audit committee are effective.
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate.
4.2	Criterion at level 2 in relation to business continuity plans as required by the Civil Contingencies Act (2004).
4.2	Governance arrangements are in place for significant partnerships.
4.3	The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced.