

Use of Resources

South Oxfordshire DC

Audit 2007/08

Date

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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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Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the Council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The Use of Resources assessment focuses on the importance of having 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 assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:
 - reflect developments in professional guidance, legislative requirements and best practice; and
 - signal some of the changes proposed for the new use of resources under CAA, smoothing the transition to CAA.
- 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, see Table 1 below. 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	Only 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 2008, which can be found on the Commission's web site. 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 South Oxfordshire District Council are outlined overleaf, as confirmed by our national quality control process and notified to you by the Commission on 8 December 2008. This summary sets out our key findings in relation to each theme.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
Financial reporting	1	1
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	1
1.2 The Council promotes external accountability.	2	2
Financial management	1	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	3
2.2 The Council manages performance against budgets.	1	2
2.3 The Council manages its asset base.	1	3
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	1	2
4.1 The Council manages its significant business risks.	1	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1	2
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
Value for money	3	3
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

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

Financial reporting

Theme score 1 (1)	
Key findings and conclusions	
For the second year, the Council process for production of the annual accounts was judged to be inadequate. Recommendations have been made to Members and officers to prevent a recurrence of the problems encountered this year.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The annual accounts produced for audit contained significant errors, and were inadequately supported by working papers. This resulted in considerable additional work being undertaken before an unqualified opinion could be given on 12 November 2008, considerably after the due date of 30 September.
KLOE 1.2 The Council promotes external accountability.	The Council was unable to meet the reporting deadline for publication of the annual statements. In addition, whilst it does publish summary financial information within the annual report, it is unclear if this meets the needs of stakeholders.

Financial management

Theme score 1 (3)	
Key findings and conclusions	
The Council arrangements for managing performance against budgets and for managing its asset base were assessed as being inadequate.	
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.	Whilst the Council's arrangements remain soundly based, they did not meet the revised criteria relating to use of sensitivity analysis or taking risk assessments and financial contingency planning into account within business planning.
KLOE 2.2 The Council manages performance against budgets.	After introduction of a revised accountancy system, budgets were not loaded in a timely manner, members received little budget monitoring information, there was no consideration of relevant non financial information at the same time as financial information, and the financial performance of partnerships was not routinely monitored or shared with partners.
KLOE 2.3 The Council manages its asset base.	The Council did not update its capital strategy and asset management plan as intended during 2007/08



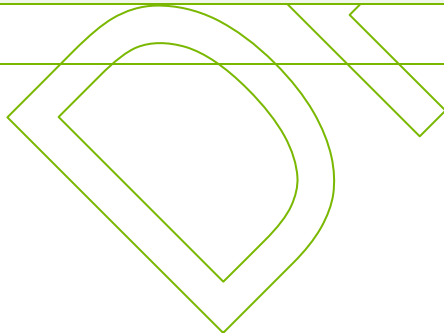
Financial standing

Theme score 3 (3)	
Key findings and conclusions	
The Council continued to have arrangements for financial standing that are performing well ...	
KLOE 3.1 The Council manages its spending within the available resources.	Despite having a good level of resources, we noted that the Council has continued to take a prudent approach to managing its finances and to consider these within the context of current and future objectives.

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Internal control

Theme score 1 (3)	
Key findings and conclusions	
The Council's arrangements for internal control have deteriorated, and overall been assessed as inadequate	
KLOE 4.1 The Council manages its significant business risks.	The Council risk register did not have actions to mitigate against the impact of risks identified, and it was difficult to see how risks recorded linked into corporate priorities. This deterioration in performance resulted from staffing pressures within the Council.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Whilst the majority of the arrangements for the system of internal control were maintained, there was a change in finance systems in year for which no procedure manuals prepared. This led to a lack of system reconciliations in year, which caused considerable problems when pulling together the annual accounts.
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 maintained its arrangements in line with the previous year. The improvements around internal audit had not delivered outcomes in time for this year's assessment.



Value for money

Theme score 3 (3)	
Key findings and conclusions	
The Council's arrangements to achieve and manage value for money continue to be performing well.	
KLOE 5.1 The Council currently achieves good value for money.	<p>There is a continued positive relationship between cost and service delivery. The Council's pattern of spend reflects its priorities.</p> <p>The Council continues to monitor and review VfM, through for example, effective contract management and monitoring of outsourced services, budget and performance monitoring, including analysis of information to enable the Council to evaluate equality of access and outcomes.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>The Council has improved value for money and achieved efficiency gains across a range of services using innovative approaches, for example, through its use of IT to improve access to services. The Council can demonstrate innovation in improving value for money. In addition to the joint contract for revenue services, the Council is now working to procure a joint waste contract, which promises to bring substantial savings/benefits to local people. The merging of management structures with Vale of White Horse DC also promises substantial savings.</p> <p>Procurement and other spending decisions are supported by detailed financial models, and where appropriate, the Council can demonstrate that it considers the environmental and social impact of its decisions</p>

Conclusion

- 7 The Council's performance is reflective of particular problems encountered during 2007/08, where the impact of changing most of its services to different computer systems led to deterioration in many assessment themes. However, its continued determination to consider innovative ways of working to achieve future value for money demonstrates potential to deliver better outcomes in the future.

Use of resources 2008/09

- 8 From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 9 Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 10 The assessment is structured into three themes:
- managing finances: sound and strategic financial management;
 - governing the business: strategic commissioning and good governance; and
 - managing resources: effective management of natural resources, assets and people.
- 11 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For district councils, auditors will assess work force planning.
- 12 The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.