



GOVERNMENT

Use of Resources assessment 2008

Wiltshire County Council
December 2008

AUDIT

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In this year's Use of Resources assessment the Council has performed at level 3 - consistently above minimum requirements and performing well. To ensure that the Council continually improves its performance, an action plan should be produced to implement our recommendations. Progress against the action plan should be reported to and monitored by the Final Accounts and Audit Committee.

Introduction

The annual Use of Resources (UoR) assessment evaluates how the Council uses and manages its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support priorities and improve services, and covers five themes as shown in the table below. This is the third annual assessment.

Summary of scores

Themes	Score 2007/08	Score 2006/07	Score 2005/06
1. Financial Reporting	3	3	3
2. Financial Management	3	3	2
3. Financial Standing	3	3	2
4. Internal Control	2	3	3
5. Value for Money	3	3	3
Overall Score	3	3	3

The Council's overall score has been assessed as 3, which means that overall you are performing well. You have performed well in respect of your arrangements over four of the five themes, Financial Reporting, Financial Management, Financial Standing and Value for Money. Improvements are achievable in Internal Control where the Council has performed adequately and achieved a score of 2.

In making our assessment for Financial Standing, we have also assessed the impact of the Council's investments with Icelandic banks, given the threat that these may be irrecoverable (in whole or in part). We have concluded that this does not impact on the assessment for the 2007/08 financial year. We will of course need to consider whether there is any longer term impact in next year's assessment.

The detailed scores for each theme and Key Line of Enquiry (KLOE) are provided in Section Two. The Authority has sustained its performance in most areas compared with 2007. However, the Internal Control KLOE shows a fall from 3 to 2, as a result of changes to the KLOE criteria for 2007/08 assessments which now include a requirement for regular review and testing of the business continuity plan.

We have provided our key findings for each theme in Section Three and have made one recommendation, summarised in Appendix A. The Authority should produce an action plan to implement our recommendation for the next Final Accounts and Audit Committee. Progress against the plan should be reported to and monitored by the Final Accounts and Audit Committee.

The annual Use of Resources (UoR) assessment evaluates how the Council manages and use its financial resources. It 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. It covers five themes:

- Financial reporting;
- Financial management;
- Financial standing;
- Internal control; and
- Value for Money

These are underpinned by eleven Key Lines of Enquiry (KLOEs) as shown in Section Three. This is the first year that we have carried out the assessment for Wiltshire County Council, with the Council's previous auditor having carried this out in prior years. Judgements have been made for each theme and each KLOE on the following scale of 1 – 4 which has been standardised and quality assured by the Audit Commission.

Scale used for assessments and inspections

Score	Description
1	Below minimum requirements
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 UoR assessment will be reported to the Council by the Audit Commission in December 2008. Theme scores contribute to our conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money in relation to its use of resources. This conclusion has already been issued with our audit opinion on your accounts and our UoR audit work was timed to inform this conclusion (for which a score of 2 or more is sufficient for an unqualified opinion on each VFM criteria).

In forming our assessment, we followed the methodology set out in the Audit Commission's Use of Resources Guidance for Councils for 2008. In particular, in order to support scores of 3 and above, councils need to demonstrate that relevant arrangements are 'embedded' - that is, they have been working effectively throughout the year with clear demonstrable outcomes. This includes evidence that arrangements are working as expected, understood by staff, have an impact on outcomes, contribute to objectives, and improve economy, efficiency or effectiveness. For scores of 4 (performing strongly) councils must demonstrate innovation or best practice that can be shared with other authorities.

The 2008 assessment will be the final assessment under the current Comprehensive Performance Assessment (CPA) framework for councils. The assessment for 2008/09 will be the first under the new Comprehensive Area Assessment (CAA) framework being introduced from 1 April 2009.

Theme summaries

Key findings and conclusions for each of the five themes are summarised in Section Three of this report. This includes our overall findings and the key areas for improvement. Recommendations are summarised in Appendix A.

The five theme scores, and 11 Key Lines Of Enquiry (KLOE) scores, for Wiltshire County Council for the 2006, 2007 and the 2008 assessments are shown below.

Key line of enquiry (KLOEs)	Score 2007/08	Score 2006/07	Score 2005/06
1. Financial Reporting	3	3	3
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
2. Financial management	3	3	2
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	2	2
2.3 The Council manages its asset base.	3	3	2
3. Financial Standing	3	3	2
3.1 The Council manages its spending within the available resources.	3	3	2
4. Internal Control	2	3	3
4.1 The Council manages its significant business risks.	3	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1	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	2
5. Value for Money	3	3	3
5.1 The Council currently achieves good value for money.	3	3	3
5.2 The Council manages and improves value for money.	3	3	3
Overall score	3	3	3

The Council is performing well in most areas.

Performance is adequate in relation to Internal Control. The overall score in this theme was limited because the Council did not meet a key level 2 requirement of KLOE 4.2 in relation to business continuity planning, which is detailed in Section Three. We note that a new Business Continuity Plan has now been approved and that progress is well underway including a regular, planned testing programme. Other minor improvement opportunities have been raised regarding the operation of the internal audit function and make-up of the Final Accounts and Audit Committee, although these would not, in isolation, be enough to warrant a fail at level 3.

A comparison of the scores between years shows that specific improvements have been made in relation to the Council's management of performance against budgets. This had previously been scored as a level 2 due to limitations in the Council's financial reporting tools. However, we have seen sufficient evidence of flexible operation (for example through bolt-on packages such as the EAS reporting tool used to interrogate the general ledger) to consider that a pass is appropriate for this KLOE (at level 3). This has resulted in an increased score for Financial Management KLOE 2.2, although the overall theme score remains unchanged at level 3.

Other KLOE scores remain unchanged from 2007, and therefore the Council has maintained its performance with regard to the other themes and KLOEs.

In the next section of the report we set out the detailed findings for each theme and KLOE

Financial Reporting

KLOE 1.1: The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ Although a large number of amendments to the draft financial statements were identified, only a handful of these were non-trivial and none were material. The majority of errors related to casting, rounding and cross-referencing, were re-classifications within the same financial statement or related to disclosure requirements. These were rectified satisfactorily by the Authority ✓ Appropriate arrangements had been made with regard to staff resources, to make sure that audit queries, particularly on more technical issues, could be dealt with promptly ✓ An unqualified opinion was given for the financial statements 	<p>In order to achieve level 4 you need to :</p> <ul style="list-style-type: none"> ● Submit accounts for audit that are presented fairly and contain only errors considered 'clearly trivial' ● Reduce the number of trivial errors through improved quality control procedures ● Improve the consistency of working papers between departments to ensure a uniformly excellent standard is achieved 	
KLOE 1.2: The Council promotes external accountability.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Authority is considering a range of stakeholders in making its decision whether to produce an Annual Report ✓ Summary Financial information is published that meets the needs of a range of stakeholders ✓ Key documents such as reports, agendas and minutes are available from the Authority's website and in appropriate formats 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● Make improvements to the accessibility arrangements such that all meeting minutes, agendas and reports are clearly and explicitly made available in a variety of accessible formats including spoken word and Braille ● Refine the annual report, for example, to include an assessment of the Council's carbon footprint 	

Financial Management

KLOE 2.1: The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic objectives.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Authority's Medium Term Financial Strategy includes a five year plan of funding and appropriate other variables ✓ Key messages from this Strategy are cascaded to staff and stakeholders through the website, intranet and 'News and Views' ✓ Business and financial planning are integrated with clear lines between corporate objectives, the MTFS and budgets 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● Develop the MTFS so that it describes in financial terms joint plans agreed with partners and other stakeholders ● Demonstrate links between the risk management process and financial reports 	
KLOE 2.2: The Council manages performance against these budgets.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Council's financial information systems have flexible reporting tools to enable specialist reports to be designed ✓ Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon ✓ Informative profiled financial monitoring reports are received by all budget holders soon after the month end enabling managers to respond to issues in a timely way 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● Improve arrangements around the production of timely accrued financial monitoring information for members, including significant revenue account items and balances. Currently, reports to cabinet on financial performance are up to 2 months old; neither do they include balance sheet information 	

Financial Management (continued)

KLOE 2.3: The Council manages its asset base.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Council’s asset management plan provides clear forward looking strategic goals for its property assets that shows how the its land and buildings will be used and developed to help deliver corporate priorities and service delivery needs, now and in the future ✓ The Council maintains a record of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property ✓ The Council makes investment and disposal decisions based on thorough option appraisal and whole life costing 	<p>In order to achieve level 3 you need to:</p> <ul style="list-style-type: none"> ● Embed innovative practices such as whole life costing and ‘targeting investment’ scoring criteria across the organisation 	

Financial Standing

KLOE 3.1: The Council manages its spending within the available resources.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Council sets a balanced budget that takes account of cost pressures and the impact on council tax ✓ The Council’s policy for reserves and balances is based on a thorough understanding of its needs and risks, which is properly and clearly reported to and agreed by members. The approved level of balances is adhered to and ensures the Council’s financial standing is sound and supports the achievement of its long term objectives ✓ The Council keeps its treasury management strategy under review and monitors performance against it. The strategy reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● (Where target levels for reserves and balances are exceeded) identify and report to members the opportunity costs of maintaining these levels and compare this to the benefits accrued ● Consider the level of external debt within the organisation and review procedures around monitoring information regarding the effectiveness of recovery actions, associated costs, etc to ensure this remains proportionate to the Council’s needs. This will become of greater relevance with the move to One Council 	

Internal Control

KLOE 4.1: The Council manages its significant business risks.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The risk management process is reviewed and updated at least annually ✓ The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks ✓ Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed, including reporting to full Council as appropriate 	<p>In order to achieve level 4 you need to ensure that:</p> <ul style="list-style-type: none"> ● All Members receive risk management awareness training appropriate to their needs and responsibilities ● Reports to support strategic policy decisions, and initiation documents for all major projects, require a formalised risk assessment including a sustainability impact appraisal 	

Internal Control (continued)

KLOE 4.2: The Council has arrangements in place to maintain a sound system of internal control.		Score: 1
<p>You did not achieve the following minimum requirements for a level 2 score:</p> <ul style="list-style-type: none"> ✗ The Council did not have a business continuity plan in place during the year in question which was reviewed and tested on a regular basis 	<p>In order to achieve level 2 you need to ensure:</p> <ul style="list-style-type: none"> ● That the recently approved business continuity plan is reviewed and tested on a regular basis <p>Other areas for improvement include:</p> <ul style="list-style-type: none"> ● The appointment of an independent chair on the Final Accounts & Audit Committee, in accordance with CIPFA guidance (i.e. a Councillor who is independent of the Executive) ● Strengthening of the internal audit function to ensure consistency and quality in all work performed, for example through the standard of working papers produced and by formal, documented evidence of review 	
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.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Council is proactive in its role to raise the standards of ethical behaviour amongst members and staff, including the provision of ethics training ✓ The Council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● Be able to demonstrate that its members, officers and agents exhibit high standards of personal conduct (for example by high-level monitoring of employees against the Code of Conduct) ● Demonstrate that a strong counter fraud culture is embedded in all departments across the Council 	

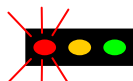
Value for Money

KLOE 5.1: The Council currently achieves good value for money.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ Overall costs, including unit costs for many key services, demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context ✓ The Council has a well managed capital programme linked to priorities and supporting service improvements, with projects completed on time, within budget, and delivering outcomes which are fit for purpose 	<p>In order to achieve level 4 you need to:</p> <ul style="list-style-type: none"> ● Demonstrate that the Authority uses its capital programme, with partners where appropriate, to challenge existing service models to achieve a transformation in service for users ● Ensure that the full range of services are delivered to high quality standards 	
KLOE 5.2: The Council manages and improves value for money.		Score: 3
<p>You achieved the following requirements:</p> <ul style="list-style-type: none"> ✓ The Council has good arrangements to produce reliable data ✓ The Council has produced and is delivering on an efficiency plan to achieve the cumulative Efficiency Review target of 7.5 per cent gains over the three-year period ✓ There is a strategic approach to seeking external funding. The Council has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people 	<p>In order to achieve level 4 you need to demonstrate:</p> <ul style="list-style-type: none"> ● A strong track record of successful partnership working (for example through the Local Area Agreement) and in delivering service improvements through use of IT ● Innovative approaches for improving VFM, where appropriate ● How targeted investment in poorly performing services can deliver sustained improvements in VFM 	

This appendix summarises our recommendations. We give our recommendations risk ratings (as explained below) and agree with management what action you will need to take. We will follow up progress on it as part of our 2009 UoR assessment (under the Comprehensive Area Assessment regime).

Priority rating for performance improvement observations raised

Priority one: issues that are fundamental and material to your use of resources. We believe that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.



Priority two: issues that have an important effect on your use of resources but do not need immediate action. You may still meet an objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains.



Priority three: issues that would, if corrected, improve the use of resources in general but are not vital. These are generally issues of best practice that we feel would benefit you if you introduced them.



No.	Risk	Sub KLOE Ref	Issue and recommendation	Management response	Officer and due date
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Action Plan

At present, the Council does not meet all of the requirements of the level 2 KLOEs and there are a number of opportunities for raising the score of individual KLOEs to a level 3 or 4.

The Council should develop an action plan to address all of the areas where improvements could be made to increase the overall Use of Resources score. Particular attention should be paid to the weaknesses identified in KLOE 4.2 where a level 1 has been awarded.

We have identified lead responsible officers for each KLOE and they have been charged with developing an action plan to ensure achievement of the KLOE requirements.

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(two) All

The new Use of Resources regime takes effect from 2008/09 and is discussed further in Appendix B. The Council needs to carefully consider the impact of these new KLOEs when developing its action plan, and re-assess its performance against the new requirements to ensure that the maximum possible score can be awarded in the 2008/09 assessment.

These individuals actions plans will be combined to produce an action plan for UoR 2008/09. The Director of Resources keeps under review the development of the action plan and the actions being taken by the responsible officers to deliver the KLOEs.

Carlton Brand
March 2009

The Council should review these requirements in a timely manner in order to ensure that necessary changes can be made during the 2008/09 year to which the assessment relates.

Principal changes

From 2008/09 a new Use of Resources assessment is being developed, as part of the wider development of Comprehensive Area Assessments (CAA). CAA is being developed jointly by the Audit Commission and other inspectorates and will be an area based assessment consisting of a number of elements. One of the elements will be an annual UoR assessment at organisation level provided by the Audit Commission and based on the work of auditors.

Three themes are proposed:

- *Managing money* (which will replace Financial Reporting, Financial Management and Financial Standing);
- *Governing the business*; and
- *Managing other resources*.

The approach has been redesigned to emphasise the importance of authorities achieving improved value for money outcomes for local people. Value for money issues have therefore been embedded throughout all the themes and KLOEs to underline that the overall scored judgment is a single, annual judgment on value for money in the use of resources. Value for money will no longer therefore be a separate theme.

The changes will:

- focus on financial issues within a single scored theme, based upon best financial management practice;
- recognise that use of resources is broader than financial resources, embracing the use of natural, physical, human and technological resources; and
- deliver a proportionate approach that assesses key resource issues.

Sustaining performance levels under the new framework

For 2008/09 the “bar has been raised” so that in some areas, councils will have to produce a higher level of performance than in 2007/08 in order to maintain the same Use of Resources score. For example, the requirements at level 3 are more output and outcome focused than previously. This will challenge authorities to improve further.

The Council should proactively review the new requirements in a timely manner in order to ensure that necessary changes can be made before, or at least during the year to which the assessment relates.