

Use of Resources

Epsom and Ewell Borough Council

Audit 2006/07

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Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year 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 undertaken at Epsom and Ewell Borough Council. Our assessment is based on the key lines of enquiry for 2007. These 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. The period assessed for 2007 has also been aligned with the financial year 2006/07. 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 The overall use of resources assessment is made up of five themes. Assessments have been made for each theme using the Audit Commission's scale. 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 2007, 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 Epsom and Ewell Borough Council (the Council) are outlined overleaf.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

Use of resources assessments

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	3
Financial management		
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
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	2	2
Financial standing		
3.1 The Council manages its spending within the available resources.	3	3
Internal control		
4.1 The Council manages its significant business risks.	2	2
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
Value for money		
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 the following tables.

Financial reporting

Table 3

Theme score 3	
Key findings and conclusions	
<p>There is no change in our assessment of the Council's financial reporting and the Council maintains its 'performing well' status. The Council has maintained its strong track record in preparing and publishing its annual accounts efficiently and once again it met the internal and statutory deadlines set. The 2006/07 accounts provided to external audit fully complied with relevant professional standards. We gave an unqualified opinion on the accounts on 26 September 2007. Officers have agreed action to deal with all the issues that we raised in our Annual Governance letter. The Council publishes summary financial information to all residents in its Borough newsletter.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>There is some scope for improvement regarding working papers, which have been discussed with officers.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Overall the Council applies good practice but some documents such as the Annual Audit and Inspection Letter were not easy to find on the Council's website.</p>

Financial management

Table 4

Theme score 3	
Key findings and conclusions	
<p>The Council performs well in the management of its finances. The Council is currently working towards incorporating joint plans in financial terms that have been agreed with partners and other stakeholders into the Financial Plan 2008-2012. It is currently in the process of reviewing and updating the Corporate Plan (to be issued in September 2007), key service priorities and the new Financial Strategy (to be agreed by February 2008). Financial management arrangements for partnerships are now more embedded and all committee reports now include a section relating to partnerships.</p>	
Improvement opportunities	
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Performance Indicators within the Asset Management Plan have not been effectively monitored due to the fact that the Corporate Property Officer left in November 2006 and has not been replaced. Further indicators are being developed by the Sustainability Officer in relation to energy management.</p>

Financial standing

Table 5

Theme score 3
Key findings and conclusions
<p>The Council performs well in establishing arrangements to ensure a sound financial position. The Council has maintained its strong track record of meeting its financial plans and is operating from a sound financial position, maintaining its overall spending within budget. Key financial health indicators are being actively monitored and reported to members. The treasury management strategy and policies comply with the CIPFA Code. The Council's financial reserves are healthy and underpin its Financial Plan. The ongoing challenging financial position has meant that some planned use of reserves have been necessary to support the revenue position.</p>

Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>The Council promotes probity and propriety in the conduct of its business and arrangements are in place to maintain a sound system of internal control. However, risk management arrangements require further development in order that the Council can demonstrate risks are identified and proactively managed, especially whilst the significant financial pressures remain. Work continues to be carried out on risk management and it is likely that our 2008 assessment will show it has been fully embedded. The major feeder systems are regularly reviewed as confirmed by the work carried out during Final Accounts.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Members are beginning to understand their role more with regards to risk management. The Council needs to ensure that risk management training continues to be received by all Members and that clear outcomes are demonstrated from the risk management processes in place. Arrangements should continue to be strengthened to further embed risk management at the Council.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The Council should continue its efforts to ensure that the assurance framework is fully embedded in its business processes. The pre-statement work showed that bank reconciliations were not carried out between November 2006 and January 2007. Particular attention also needs to be given to ensuring that a sound system of internal control is maintained as new financial systems were implemented in April 2007.</p>

Value for money

Table 7

Theme score 3
Key findings and conclusions
<p>The Council continues to demonstrate that it achieves good value for money with generally above average service outcomes, average service costs and at comparatively low cost to residents. Culture costs remain high but deliver high or above average resident satisfaction and reflect both community need and the council's responsibility for stewardship of its local environment. The Council has invested in services with historic low comparative spend and performance, such as recycling, and the new collection arrangements are showing early signs of delivering significant improvement in performance. Greater focus is being brought to the provision of affordable housing although it is too early to validate a track record.</p> <p>The Council has a well managed capital programme that has delivered major projects within time and budget and demonstrates the effectiveness of the Council's project management arrangements.</p> <p>The Council continues to have sound arrangements for achieving good value for money. It has clear information on its costs and uses benchmarking for some services for comparative purposes. The achievement of value for money, including progress with efficiency targets, is challenged through the effective performance management arrangements by both councillors and managers. This focus has enabled the efficiency targets of 7.5 per cent over three years to be exceeded. Resource pressure is driving a value for money culture throughout the Council to ensure the corporate priority of maintaining low levels of council tax and investing in service priorities continues to be a reality. Investment in the new waste collection arrangements is showing early signs of improvement in recycling rates although it is too early to judge the longer term impact on rates or the anticipated improvement in resident satisfaction. Joint procurement opportunities continue to be developed and implemented with some positive outcomes already being achieved through working with other local councils.</p>

Theme score 3	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	There remain some lower performing services, for example recycling and composting, where the Council has invested more slowly than other Councils and the rate of improvement has been less.
KLOE 5.2 The Council manages and improves value for money.	In 2006/07 there were some areas of lower performance, for example recycling. where the Council had not yet invested to secure improvements that other councils are achieving. There are also additional opportunities for joint analysis of local needs and joint procurement with other neighbouring councils and key partners outside local government.

Conclusion

- 8 The Council's performance demonstrates that it continues to perform well in its use of resources in 2007. The Council has maintained its performance compared to 2006. This is a notable achievement given that the 'test' becomes harder each year as higher standards are demanded by the key lines of enquiry, although there are improvement opportunities across each of the main themes.

Use of resources 2008

- 9 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.
- 10 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.
- 11 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.

Appendix 1 – Changes to the methodology for 2008

Table 8 Changes to the UOR key lines of enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion in the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	*The annual report or similar document includes information and analysis about a council's environmental footprint.
Financial management		
2.1	2	*The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning.
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.

KLOE	Level	Summary of change
Financial standing		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	*Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	* Effective scrutiny function to ensure challenge and improve performance.
4.2		**'Statement of internal control' has been replaced with 'governance statement'.
4.2	4	*Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee.
4.3	3, 4	*Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.

KLOE	Level	Summary of change
Value for money		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.