

# **Use of Resources Audit Score Feedback**

**Stratford-on-Avon District Council**

**Audit 2007-2008**

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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 annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. It is a more stringent test than the auditor scored judgements that formed part of the comprehensive performance assessment (CPA) framework up until 2004. The scope of the assessment has also been widened.
- 2 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.
- 3 Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale.

**Table 1**

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 The overall score for Use of Resources will be reported to the Council by the Audit Commission on 10 December 2007. The scores for Stratford-on-Avon DC for the five themes are outlined overleaf.



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## Theme summaries

- 5 The key findings and conclusions for each of the five themes are summarised below.

## Financial reporting

**Table 2**

<b>Financial reporting</b> <b>Overall score: 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council’s accounts production process meets statutory requirements and has been, in accordance with the timetable agreed with the external auditor. During the audit, non-trivial errors were identified and reported in the ISA 260. The Council agendas, reports and minutes are made available on the Council’s website as are the Council’s annual statement of accounts.</p> <p>Accuracy, openness and accountability are areas where the Council has been strengthening its arrangements in recent years and is now performing well on financial reporting.</p> <p>Summary accounts are published, following a consultation process. This contains a reasonable level of summary information which members of the public would understand, and is available on the Council’s website.</p>	
<b>Improvements needed to move to next level</b>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Working papers should be reviewed to ensure that they are complete and incorporate required papers to reflect changes in the SORP requirements.</p> <p>Annual accounts should be reviewed against SORP disclosure checklist to ensure compliance with relevant standards.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Continue to consult a wide range of stakeholders on the publication of</p>

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<p><b>Financial reporting</b> <b>Overall score: 3</b></p>	
	<p>summary accounts. Consider access of information to meet the needs of all users.</p>

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## Financial management

**Table 3**

<p><b>Financial management</b> Overall score: 3</p>	
<p><b>Key findings and conclusions</b></p> <p>The Council’s medium-term financial plan (MTFP), and revenue and capital budgets are soundly based and designed to deliver the Council’s strategic priorities. Budgets are reviewed annually in light of the reasons for and consequences of the previous years outturn and are linked to the MTFP. The Council has good overall arrangements in place for planning and managing its finances and the Council can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p> <p>Arrangements would be further refined by developing and implementing a clear mechanism for identifying the impact of future developments on its financial management arrangements and proactively managing this.</p> <p>The Council has developed and implemented effective arrangements for monitoring performance against budgets, for taking corrective action where appropriate, and for reporting the results to senior officers and members. The Council has put in place effective arrangements for financial management, monitoring and reporting. Budget monitoring reports highlight variances, however these are only categorised as 'favourable' or 'unfavourable' and are not prioritised.</p> <p>The Council has yet to develop set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.</p>	
<p><b>Improvements needed to move to next level</b></p>	
<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>Future developments that may impact upon on its financial management arrangements need to be identified and proactively managed.</p>

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<p><b>Financial management</b>  <b>Overall score: 3</b></p>	
<p><b>Key findings and conclusions</b></p>	
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Executive should review the effectiveness of its leadership, with regard to financial management, and take appropriate action to address areas of weakness.</p> <p>A 'traffic light' system or similar should be considered to help members focus on key budget variances and high risk/volatile areas. Consider evidence to demonstrate action is taken by officers and members in response to this.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council should identify performance measures to evaluate asset use in relation to corporate.</p>

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## Financial standing

**Table 4**

<b>Financial standing</b> <b>Overall score: 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council's policy for reserves is based upon a thorough understanding of the council's needs and risks. Its financial reserves are healthy and in line with its risk assessment. Key financial health indicators are actively monitored and reported to members. The cost effectiveness of debt recovery is considered and monitored.</p>	
<b>Improvements needed to move to next level</b>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p><i>Consider, where reserves and balances are held in excess of need, the opportunity cost of holding those balances should be explored compared to the benefits accruing. There should be a costed rationale for holding taxpayers' money in excess of need (stewardship role) or in not deploying the resources to improve services (the opportunity cost). Additional support required to evidence that challenging targets are set for key financial health indicators.</i></p>

## Internal control

**Table 5**

<p><b>Internal control</b> Overall score: 3</p>	
<p><b>Key findings and conclusions</b></p> <p>The Council actively promotes probity and propriety in the conduct of its business. Risk management has been evolving and improving and it is being further embedded throughout the organisation.</p> <p>Since 2005, there have been no further risk management awareness training for some members with specific responsibility for risk management. Not all members and staff have received appropriate training and guidance to better equip them to take responsibility for managing risk within their own working environment.</p> <p>Systems of internal control are generally sound. The Audit Committee's role should continue to be strengthened. Actions continue to be taken to raise awareness of ethical behaviour resulting in the development of the Ethical Audit Action Plan. Our final accounts audit highlighted concerns over the disclosure of members' interests.</p>	
<p><b>Improvements needed to move to next level</b></p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Risk management training needs should be reviewed regularly to identify new risks arising and to target any new members requiring training.</p> <p>Consider further embedding risk management in the council's processes through training and raising awareness, particularly for members.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Consider evidence to support how the Audit Committee demonstrates effective challenges across the Council and independent assurance on the risk management framework and</p>













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KLOE	Level	Summary of change
		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.

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