



Haringey Council

Agenda Item:

Audit Committee

On 12 May 2008

Report Title: **Comprehensive Performance Assessment (CPA)**

Use of Resources – Auditor Judgements 2007 action plan report

Report of: **Chief Financial Officer**

Wards(s) affected: **All**

Report for: **Non-key decision**

1. Purpose

1.1 To inform the Committee of the Auditor Judgements 2007 and of the Council's proposed action plan arising from the CPA Use of Resources auditor's assessment.

2. Recommendations

2.1 To note the CPA Use of Resources Auditor Judgements 2007 and the Council's action plan in response.

Report Authorised by: **Gerald Almeroth, Chief Financial Officer**

Contact Officer: **Kevin Bartle , Head of Corporate Finance, 020 8489 3743**

3. Executive Summary

3.1 The report sets out the CPA Use of Resources Auditor Judgements 2007 and outlines the Council's proposed response by way of updating and revising our on-going action

plan. Progress has been made since 2005; the overall score of 3 (performing well) achieved in 2006 has been maintained again in 2007 against the 'harder test'. Most of our improvements in important Key Lines of Enquiry (KLOEs), such as Internal Control and Value for Money, have maintained the improved score of 3 in 2007.

3.2 The Council's CPA UoR action plan is now an on-going document and has been updated for 2008 to reflect the 2007 assessment and to give particular attention to areas that need strengthening and improvement. A summary version is attached to this report as Appendix 1 which highlights areas where it is felt there is a risk that a score of 3 may not be achieved or where areas have been specifically targeted where a 4 could be achieved.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 This report develops existing policy.

5. Local Government (Access to Information) Act 1985

5.1 Background documents used in the preparation of this report:
CPA Use of Resources Key Lines of Enquiry (KLOE) descriptors
Haringey Council – Use of Resources Auditor Judgements 2007

6. Background

6.1 The CPA Use of Resources judgement by the Audit Commission assesses how well the Council manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources that are available support the Council's priorities and improve services.

6.2 In 2006 the CPA framework was revised again and in particular the Use of Resources section was developed to become a stronger measure of cost-effectiveness and value for money. The Use of Resources blocks in both 2006 and 2007 were the 'harder test'.

6.3 The Audit Commission in November 2006 scored the Council 3 out of 4 for the use of resources and in December 2007 we maintained that 3 out of 4 score. This is very much in line with expectations and positively contributed to the Council as a whole achieving three stars overall.

6.4 The Audit Commission has provided some specific feedback and, where appropriate, elements of the action plan have been amended.

6.5 The key lines of enquiry are set out in five key judgement areas and the scores achieved are as follows:

Judgement Areas	Assessment 2006 (out of 4)	Assessment 2007 (out of 4)
Financial Reporting	3	2
Financial Management (including asset management)	3	3
Financial Standing	3	3
Internal Control (including Risk Management and Governance Arrangements)	3	3
Value for Money	3	3
Overall score	3	3

6.6 The detailed analysis of the above shows that two specific areas showed a marked improvement and individuals scores of 2 in 2006 scored a 3 in 2007:-

- Financial Management: ref. 2.2 The Council manages performance against budgets; and,
- Value for Money: ref 5.2 The Council manages and improves value for money.

6.7 In Financial Reporting, the overall score dropped from 3 to 2; within this the individual score for KLOE; ref 1.2 (the Council promotes external accountability); dropped from 4 to 3. This is due to the Audit Commission's assessment that the Council had not maintained the 'notable practice' status achieved last year through the Annual Report consultation process, specifically with the Haringey Strategic Partnership. This process will be refreshed for 2008.

6.8 Additionally within Financial Reporting, the Council had aspirations of achieving some improvements in KLOE ref. 1.1 (production of the annual accounts), however the score remained at a 2. This area is being specifically addressed within the action plan and a separate report on the audit of our annual accounts 2006/07 brought to this Committee also set out plans for improvement in this area.

6.9 For future reference, in order to achieve an overall score of 4, the Council must receive no elements with scores of 2 and at least two elements with scores of 4.

7. Action plan

7.1 The extract from our action plan attached at appendix 1 highlights some of the key areas that are identified for further development and improvement. Set down below are examples of areas of specific attention:-

- The Annual Report consultation process with key partners such as the Haringey Strategic Partnership has been refreshed.
- Last year's external audit report on the Council's Annual Accounts has been scrutinised in detail and improvements put in place;
- A Haringey carbon footprint has been produced for inclusion in our Statement of Accounts.

7.2 The area of value for money is difficult to judge as no set criteria are published for scoring and no benchmark data is available in respect of previous years or with other authorities. The need for managers in the organisation to focus clearly on planning to demonstrate and improve value for money within their own services has been emphasised and is already embedded. This is being carried out through the business planning process, at senior manager seminars and with a rolling programme of value for money reviews within the Council's Achieving Excellence programme.

8. Consultation

8.1 This is a corporate issue for the Council and there will be consultation with partners where it is necessary.

9. Summary and Conclusions

9.1 Satisfactory progress is being made against most of the actions in the plan and there is confidence that a score of 3 will be maintained. The aim is to improve all areas to move towards scores of 4 where possible in the 2008 assessment.

10. Recommendations

10.1 To note the CPA Use of Resources Auditor Judgements 2007 and the Council's action plan in response.

11. Legal Comments

11.1 The Head of Legal Services has read the report. The report considers improvements to governance arrangements. The use of resources audit includes a strong element of improving the ethical governance of the organisation. There are no specific legal implications.

12. Equalities Implications

12.1 The improvements detailed will enhance the aspects of considering equalities included in the corporate processes.

13. Use of Appendices / Tables / Photographs

13.1 Appendix 1 – Extract from CPA Use of Resources Action Plan 2007-2008.

Use of Resources – Extracts from Key Actions for Improvement 2007/08

Descriptor	Level	Key Actions	Completion date	Owner
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.				
1.1.6 The auditor gave an unqualified opinion in the published statements.	2	<ul style="list-style-type: none"> ▪ List of errors from 06/07 and action plan from auditors in place and being reviewed regularly. ▪ Weekly meetings with final accounts team and fortnightly meetings with Head of Corporate Finance to monitor progress and discuss issues. ▪ Process being managed on Project Management Framework principles. ▪ Action plan for new Statement Of Recommended Practice in place ▪ Discussions being held with new auditors to ascertain their views on items to ensure we comply with their standards including key areas of change, e.g. PFI. ▪ Relationship management with auditors – issued resolved prior to accounts publication 	July 08	Graham Oliver
1.1.7 The accounts submitted for audit presented fairly and contained only a small number of non-trivial errors	3	<ul style="list-style-type: none"> ▪ 07/08 position not available until June 2008 – but actions are as above 	July 08	Graham Oliver
1.1.11 The accounts submitted for audit presented fairly and contained only errors considered 'clearly trivial'	4	<ul style="list-style-type: none"> ▪ 07/08 position not available until June 2008 – but actions are as above 	July 08	Graham Oliver
1.1.12 The quality of the working papers provided was exemplary.	4	<ul style="list-style-type: none"> ▪ Quality Assurance process to be documented ▪ Changes to working papers proposed for 07/08 to be documented ▪ Training sessions being held 	July 08	Graham Oliver

Descriptor	Level	Key Actions	Completion date	Owner
1.2 The Council promotes external accountability				
1.2.4 The council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report.	3	<ul style="list-style-type: none"> ▪ The consultation with external partners through the Haringey Strategic Partnership has been refreshed, views sought and taken account of where appropriate in producing the annual report. 	April 08	Eve Pelekanos/ Graham Oliver
1.2.8 The annual report or similar document includes information and analysis about the council's environmental footprint	4	<ul style="list-style-type: none"> ▪ Footprint has been calculated ▪ Annual report to be published in July Haringey People ▪ Meeting is being held on the design and presentation side – Lambeth is being used as an example. ▪ For the consultation with external partners a letter and a copy of last years annual report was presented and minuted. 	July 08	Kevin Bartle
2.1 The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities				
2.1.20 The medium-term financial strategy models balances, resource requirements, <i>and revenue items using different planning scenarios (for example best and worst case and most likely) and links this to its risk management and financial reports.</i>	4	<ul style="list-style-type: none"> ▪ Best and worst case scenarios should be performed on the larger riskier budgets ▪ Example scenarios already used in the budget process – children/adults forecasting models, within the capital bidding process worst cases are requested, models used for equal pay calculations, BSF, Decent Homes ▪ To be included in the Medium Term Financial Strategy. 	2008/09 MTFS and Budget Book 2008/09 end of April 2008.	John Hardy
2.2 The Council manages performance against budgets				
2.2.13 The council's financial information systems have flexible reporting tools to enable specialist reports to be designed.	3	<ul style="list-style-type: none"> ▪ The Council's financial management training package is being reviewed to ensure the needs of financial systems users are being taken into account. The planned training sessions will be 	July 2008	Graham Oliver/ Ian Andrews

Appendix 1

Descriptor	Level	Key Actions	Completion date	Owner
2.2.21 There is a timely reporting 'traffic light' system (or similar) in place to focus the Executive on key variances, and there is evidence that these are acted upon.	4	<ul style="list-style-type: none"> appropriately updated. Budget savings to be given a RAG status and summarised for Cabinet. Risk management to be performed on planned savings 	June 08	Kevin Bartle
2.3 The Council manages its asset base.				
2.3.11 The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.	3	<ul style="list-style-type: none"> Plans are in place to fully embed whole life costing during 2008/09. Sustainable Procurement Policy and Strategy agreed March 08 	July 08	Dinesh Kotecha/ Ruth Gibson
2.3.13 <i>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.</i>	3	<ul style="list-style-type: none"> Line by line analysis to be completed showing evidence of each of the descriptors. 	July 08	Paul Williamson
2.3.14 Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities, sustainability objectives and set challenging targets for improvement.	4	<ul style="list-style-type: none"> Work to be carried out to ensure the links are clear between the asset base and corporate objectives. 	July 08	Paul Williamson
4.1 The Council manages significant business risks				
4.1.15 <i>Reports to support strategic policy decisions, and initiation documents for all major projects, require a risk assessment including a sustainability impact</i>	4	<ul style="list-style-type: none"> The Hays Vendor Neutral contract was subjected to risk evaluation and impact evaluation e.g. on the SME supply chain and vendor domination. 	August 08	Sharon Kemp

Appendix 1

Descriptor	Level	Key Actions	Completion date	Owner
<i>appraisal.</i>		<p>The contract was designed with a 50% split.</p> <ul style="list-style-type: none"> ▪ Project briefs, PIDs and the capital bid process to (continue to) include (some) of this. 		
4.2 The council has arrangements in place to maintain a sound system of internal control				
4.2.22 Governance arrangements with respect to partnerships are subject to regular review and updating.	4	<ul style="list-style-type: none"> ▪ Partnership lists have been reviewed and will be undergoing further analysis following additional information gathering. ▪ Review of partnership arrangements was completed as part of 2006/07 audit plan in September 06. ▪ A full review of Partnerships incorporating some of the aforementioned points is due to complete before the start of the new Municipal Year. 	April 08	Anne Woods/ Sharon Kemp/ Yuniea Semamba
5.1 The Council currently achieves good value for money.				
5.1.10 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.	3	<ul style="list-style-type: none"> ▪ Self Assessment Evaluation process of Capital spend – end of year review 	July 08	Frances Palopoli
5.2 The Council manages and improves value for money				
5.2.36 <i>The council understands and evaluates the impact of its term / whole life costs and benefits, including environmental and social, and takes account of these when making decisions. All policy proposals have in built cost analyses.</i>	4	<ul style="list-style-type: none"> ▪ Pilot contract ▪ Whole life costing paper ▪ Preparation work was undertaken in 07/08 ▪ Impact assessment for policies being developed by the end of May 2008 	May 08	Michael Wood/ Sharon Kemp